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FINANCIAL TIMES

WEDNESDAY DECEMBER 18 1996



Step by step expanding east



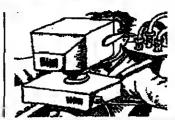
Telefónica

Transforming a state monopoly

Page 24

Today's survey

Norway



Wearable PCs

Prêt à portables

Technology, Page 12

Six Red Cross aid workers killed in Chechnya

The Red Cross froze operations in Chechnya yesterday after six of its aid workers - five of them women - were shot dead as they slept at a hospital compound in Novye Atagi, a village just south-west of the capital, Grozny. The victims came from Norway, the Netherlands, Canada, Spain and New Zealand. Both Chechen and Russian authorities condemned the attack, the motives for which were unclear. Page 2

Deal with Beriusconi: Italy's centre-left government is to make concessions to the TV interests of opposition leader Silvio Berlusconi in return for his co-operation on key legislation.

Telefónica takes Brazil stake: A consortium including Spain's Telefonica Internacional became the first foreign group to take an operating stake in Brazil's public telephones when it paid R\$681m (\$656m) for a 35 per cent of

EU ministers cautious on beef ban: European Union farm ministers cautiously welcomed Britain'a decision to slaughter 100,000 extra cattle but warned that the worldwide ban on UK beef exports would not be lifted for a .

southern operator CRT. Page 21

Ex-PM to head election probe: Former Spanish prime minister Felipe González is to head an investigation into disputed local elections in former Yugoslavia. Serbian president Slobodan Milosevic, under pressure over alleged election fraud, has offered to let the Organisation for Security and Co-operation in Europe investigate the polls. Page 2

Military crash kills 17: A Russian military cargo aircraft crashed while taking off at Pskov airport in the north-west of the country, killing 17 people including the commander of the Leningrad district.

UK ministers promote iraq trade: The British government is encouraging UK companies to step up ties with Baghdad. Businesses: need no longer get special permits to discuss contracts needed by Iraq for "essential civilian supplies and pipeline parts". Page 10

Czech politician quits: Jan Kaïvoda resigned as deputy premier and justice minister of the Czech Republic after admitting he had falsely claimed to hold a doctorate in law.

Query on degree standards: Some British universities which "franchise" courses to other countries are not fixing enough to ensure that the degrees awarded are up to standard, a UK education watchdog warned. Page 10

na Suchs, Wall Street's biggest investment bank partnership, set a new annual revenue record, though full-year taxable profits of \$2.61bn were just under 1993's high. Page 21.

Fed holds interest rates: The US Federal Reserve held interest rates steady. That leaves federal funds at 5.25 per cent and the discount rate at S per cent. Housing starts, Page 7

omat sent home: A senior Honduran, diplomat was sent home from Britain after allegations of involvement in fraudulent claims for over £36,000 (\$59,970) of state welfare payments.

US academio favours stocks crasb: "A decent collapse in the stock market would be nice right now," according to Larry Kimbell, director of the University of California, Los Angeles, Business Forecasting Project. He argues that a crash would probably do the US economy more good than harm. Page 7



The Bank of France cut its intervention rate to 3.15 per cent from 3.2 per cent. Bank governor Jean-Claude Trichet (above) said the cut reflected confidence in the Franc. Page 20 Bundesbank firm, Page 2; Currencies, Page 29

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US to urge cut in phone charges

Regulator seeks ceiling on how much foreign carriers are paid for connections

By Nancy Dunne in Washington and

The US is today expected to step up sharply its drive to lower the cost of international phone calls through a reduction in connection charges.

The Faderal Communications Commission, the US telecoms regulator, is to lobby governments and telephone companies around the world for a move towards rates based

Under proposed rules, the FCC will set a ceiling on how riers to enter into "more eco-much US companies will pay nomically efficient arrange—for individual countries will be

that when US phone companies, such as AT&T, negotiate the rates foreign monopolies will charge for connecting international calls, there will be a limit to the level of the charges that can be agreed.

The FCC believes this will force connection charges that average international conpection charges are currently lies. three times cost.

foreign carriers for handling ments" for connecting interna-US phone calls. This will mean tional traffic where competi-how these ceilings should be the phone line. US companies operate in a

competitive environment, with costs and prices much lower than those of foreign competitors that operate as monopolies. However, they say they have little leverage in negotiadown. Its officials estimate tions and must accept the rates set by foreign monopo-

The proposed rules will pose Last month, tha FCC four sets of questions to be adopted rules to permit US car- answered by industry and gov-

It also will ask how long monopolies should be given before arriving at the benchmark rates, whether this should differ according to a country's level of development and if it is moving towards market liberalisation.

The FCC will also ask whether the ceilings should be mandatory or used as guidelines and whether US market is for a foreign company should depend on whether its settlement rates are at the

FCC officials have come to the conclusion that they have the anthority to address competition, whether or not a World Trade Organisation telecommunications pact ls reached on February 15.

The proposed rules have also given an important boost to the WTO talks, Washington caused the negotiations to founder last April by, among other things, insisting on retaining the FCC's "equal competitive opportunities" (eco) test for foreign operators wishing to enter the US mar-

Pressed by AT&T, the main

US international operator. Washington said the eco test riding" by overseas mooopo-lies able to charge high prices for connecting calls in their domestic markets. But trading partners said the test, which requires reciprocity was incompatible with the WTO's cardinal principle of non-discrimination.
The FCC's rate-eetting

scheme is designed to meet this objection while protecting US operators from unfair, by making the rules applicable to all applicants for a US operat-

Mobutu hailed on return to Zaire



President Mobutu Sese Seko receives an enthusiastic welcome from supporters at Kinshasi airport as he returns to Zaire. The president is attempting to reassert his faltering authority and quell'a rebellion on the country's eastern border. He has spent four months in Europe undergoing treatment for prostate cancer. Report, Page 20

Sandoz and Ciba win **US** merger approval

By Daniel Green in London and William Hell in Basie

Tha US Federal Trade Commission yesterday approved the merger of Swiss pharmaceuticals companies Ciba and Sandoz but imposed

The new group, Novartis, nust offer other companies access to its promising patented genetics and cancer technologies. To comply with PTC demands, it has already sold its North American corn herbicides business to Germany's BASF for \$695m and disposed of its flea and tick business for \$41m to Central Garden & Pet of the US.

Although analysts were leased by the FTC approval. the conditions. Ciba'e shares fell SFr2 to SFr1,625, while Sandaz shed SFr4 to SFr1,525. Their merger will be completed on December 23 when trading in Novartis shares begins. The last stage of the merger - the spin-off of Cibs. Speciality Chemicals - should

be completed by next March. Novartis will become the joint biggest drugs company in the world with Glazo Wellcome, with global market share of 4.5 per cent on sales in the first nine months of 1996. Novartis also has businesses in agricultural sciences, natrition and polymers. In 1995 it would have had sales of SFr36bn

troubled German shipyard. Continued on Page 20 Clash of strategies, Page 25 Mr Kohl stressed to Mr Van

Germany stalls Brussels curb on loan guarantees

By Emma Tucker in Brussels and Andrew Fisher in Frankfurt

European Commission plans to stop governments giving illegal state aid to companies through loan guarantees has been stalled following German government pressure.

The draft rules, if implemented, could force Germany to restructure its large public sector banking system.

The Landesbanken, or state banks, now enjoy effectively unlimited government backing. They have high credit ratings, in some cases triple A, because of their special status. The draft rules could force them to compete on equal terms in the European Union's

One hank arousing particular concern among private sector rivals is the largest regional bank. Westdeutsche Landesbank, which has expanded rapidly, exploiting its top credit rating. WestLB received capital injection of DM4bn: (\$2.5bn) through housing development funds in 1992.

Other state banks have received funds this way. German chancellor Helmut Kohl expressed concern about the proposed loan guarantee regulation in February when he met Mr Karel Van Miert, EU competition commissioner. The meeting also dealt with other sensitive state aid cases such as Bremer Vulkan, the pay a premium for it.

CONTENTS

The case prompted concern among banks that existing contracts could be declared illegal and void. They pressed the Commission to clarify the legality of state guarantees.

Because of the German pressure, the draft rules have not been pot forward to anyona ontside the competition directorate. They say a guarantee does not contain state aid if it is limited in time and amount. and given to a financially sound company which must

Miert the importance of the publicly owned savings bank network and its links with the

Landesbanken. He argued that

interference with this struc

ture would undermine confi-

dence in the banking system.

This could affect the introduc-

have the treaty on your side if a powerful member state starts

to make threats," said one

Brussels-based lawyer. Under

EU rules, government guaran-

tees on loans are potential

state aid and should be

reported to Brussels, but states

The issue came to a head in

1993 over unlimited Italian

government guarantees to

Efim, the state holding group.

an all-embracing guarantee on the debts of a business was

"not the sort of transaction

which a free market investor

would normally undertake".

have ignored the law.

"It seems it is not enough to

tion of the single currency.

JSkyB plans 150 digital TV channels for Japan

By Michiyo Nakamoto in Tokyo and Raymond Snoddy in London

Plans to launch 150 channels of digital television in Japan from next year were announced yesterday by Mr Rupert Murdoch's News Corporation and Softbank, the Japanese computer software distributor and publisher.

The joint venture is an important part of Mr Murdoch's plans to take multi-channel digital television systems to many of the world's developed markets next year.

In 1997 alone, apart from Japan, Mr Murdoch is planning to lamuch digital television systems in the US, the UK and India to add to his digital operations in Latin America and Asia.

News Corp, said last week: "Japan is the next major thrust. It has a large populaincome - more than Britain and America - who are keeo to watch more television."

The Japanese joint venture, formally created on Monday end known as JSkyB, will happen in two stages: about 12 channels launched next autumn, and then 150 channels

in April, 1998. Mr Murdoch plans to offer



Murdoch: Japanese deal

existing Japanese broadcasters half a dozen channels on the satellite platform. The venture will also handle marketing and other services.

News Corp and Softbank will vice. The two companies will take a 10 per cent stake in each of the 12 broadcasting companies and seek shareholders for the remaining

Mr Murdoch said News Corp and Softbank each had a 21.4 per cent stake in Asahi TV. one of Japan's leading terrestrial broadcasters - underlining the importance of terressatellite multi-channel service The first Japanese digital, satellite multi-channel service, PerfecTV, which began services in October, has signed up more than 100,000 subscribers in two months.

JSkyB hopes to be able to joio with PerfecTV to allow consumers to receive programmes from both services with just one tuner and satellite disb. Eventually, JSkyB planned to offer broadcast services from three separate satellites and enable consumers to receive channels from all three with just one set-top box, Mr Murdoch said.

 Fujitsu, the Japanese com-puter manufacturer, has tied up with WebTV Networks, the US company, to provide Internet access and on-line content on Japanese TV. The joint venture company will be 65 per invest in about 12 different cent owned by WebTV Netbroadcasters to provide pro- works and 35 per cent by Priitsu. access, the service will provide contents such as map-based information services and an online magazine. WebTV Networks is the developer of the leading on-line service to deliver the Internet through TV in the US. Fujitsu, a world leader in computers, semiconductors and telecommunications, has the largest consumer on-line service in Japan,

French deal refused. Page 22

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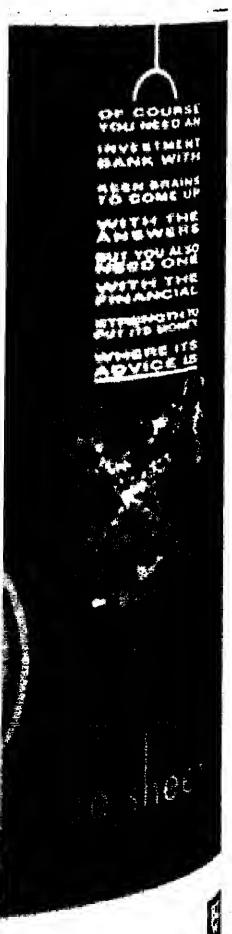
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Compromise on tycoon's TV interests breaks legislative log-jam in Italian parliament

Government deal with Berlusconi

By Robert Graham in Rome

Berlusconi, the opposition co-operation on important

aggressive confrontation in parliament between govern- needed to rely on its votes. ment and opposition, espebudget. While senior government members said yesterday that this did not create a new majority in parliament, it nevertheless opens up the prospect of significant longer term co-operation, enabling parliament to tackle a thorough reform of the constitu-

It also raises the possibility of a cross-party accord on an amnesty to wind up the anti-corruption investigations that have destabilised Italy for four years. The new government-opposition climate will also speed up the strip away one station and creation of a telecoms regulatory authority which has been holding back the privatisation of Stet, the state-

The sola dissecting voice centre-left yesterday came from Recongovernment bas agreed to structed Communism (RC), make concessions to the tele- the hard line of the old Comvision interests of Mr Silvio munist party, whose support has hitherto been essential leader, in return for his to the government in the chamber of deputies. Politiegislation. cal commentators said tha The agreement ends the RC feared being sidelined if the government no longer

> The complex arrangement hammered out with the opposition underlines the enormous unresolved conflict of interest between Mr Berlusconi's role as e politician and his business empire through his continued control through Mediaset of year. three television channels. Mr Massimo D'Alema, leader of the Party of the Democratic at least 14 decrees which Left (PDS) and dominant would have lapsed between partner in the government, bas exploited Mr Berlus- converted into law. These coni's desperate need for a favourable interpretation of a constitutional court decision which threatened to

cut advertising revenue. This court decision should have been implemented on December 22 and could have ing to Mr Antonio Maccan-

one channel. Now Mr Berlusconi has obtained a postponement until May 30, with the possibility of a further 60 days, providing new television legislation has passed through one bouse of parliament. In effect, this means Medi-

aset will probably be abie to enjoy the same share of the advertising market next year before any change. Yestercent in Spain's Telecinco channel for L223bn (\$146m). which Mr Berlusconi retained in his Fininvest holding when his media interests were floated last

in return, the government has obtained guarantees thet now and January can be include an important ahake-np of civil service employment, modernising the telecoms sector, and the streamlining of justice and early retirement provisions for staff at Alitalia, the troubled national airline. Accord-



It's a deal: Berlusconi has gained a breathing space

ico, posts minister, the agreement on these decrees covers a good five months parliamentary work. Another part of the negotiations covered greater politi-

broadcasting organisation. in return for the Rai being assured some L600bn in funds, parliament will exercise close scrutiny of the organisation's industrial cal control over the Rai state strategy.

Up to Pta300bn earmarked from privatisation cash over three years

Spanish coal regions win big aid

By David White In Madrid

Spain envisages setting aside as much as Pta300bn (\$2.3bn) from its privatisation revenues in the next three years to provide redevelopment aid for northern coalmining regions, eccording to Mr Josep Piqué, industry minis-

The government is trying to defuse a fierce reaction to earlier threats that it might end subsidies to the coal industry in 2002, forcing the closure of the main stateowned mining company,

Mr Pique said government subsidies to state and pri-

on for "some years", without the electricity industry specifying a time limit. The government is now negotiating with unions, coal companies and regional euthorities on a plan to be ready next spring for the future of the sector.

"These will be long and complex negotiations," be warned. He recognised that state-owned mines and some private companies would collapse if subsidies were withdrawn now. "Practically no coalmining company would be able to compete with imported coal," he said. Regional protests heve

which have already been agreed with the country's main power companies. Under these plans, to be brought in over a 10-year transition period, supplies of fuel for electricity generation are to be fully liberalised, with the exception of Spanish coal.

All Spain's coal production around 17m tonnes a year is currently used for electricity generation, under conditions fixed by the government, Mr Piqué said these conditions meant that, in contrast to other EU counforced the government to tries such as Britain and make a special case for coal Germany, output was still duction was reduced. Spain, vate-sector mines would go in its plans for deregulating roughly the same as in 1980. however, fulfilled none of

pean country that, along with increasing subsidies and declining employment, has kept production levels up," he said. Total subsidies for the sector next year were expected to amount to Pta222.5bn. With a forecast

"We are the only Euro-

industry at the end of 1997, this works out at a cost of Pta9.27m (\$73,000) per miner. Up to the expiry of Euro-pean Coal and Steel Community treaty in 2002 Spain was entitled to pay subsidies, he said, on condition that the market was liberalised, the level of aid declined and pro-

workforce of 24,000 in the

e fairly indefensible posi-He forecast that the gov-

ernment would receive around Ptal,000bn of funds from privatisations planned next year, including the sale of its remaining stakes in Telefónica and Repsol, the telecommunications and oil groups, and part of its shareholding in Endesa, the country's largest electricity com-

Under EU rules, it could not use these revenues to cover current budget costs, but could channel them into "specific efforts" to restructure state companies or provide aid for mining regions.

Secret 'dirty war' papers published

By David White

The Spanish government's controversial refusal to release evidence on anti-terrorist activities during the 1980s wes rendered pointless yesterday by the publication of the full dossier of secret service documents in the national

The move by the daily El País was aimed at countering a campaign by its rival El Mundo, which began this week to publish the documents in

A row over the documents, referring to the targeting of Basque terrorists in the south of France during the early years of the previous Socialist administration, has been raging since last year.

This summer the newly-elected centre-right government incurred fierce criticism when it upheld its predecessor's refusal to declassify Jnan Alberto Perote, currently meaning "pending".

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the papers. It left the decision to the detained in a military jail. The amnotation was attached to a supreme court, whose ruling is They include internal notes and note warning about the imminent expected shortly.

Requests for declassification were lodged by three judges investigating separate murder cases in the "dirty war" affair. According to one high-level official, the government's main concern was less about the documents already known ebont than the potential disclosure of other compromising papers.

A former interior minister and a Civil Guard general are among officials charged in the affair, involving kidnappings and some two dozen killings attributed to the so-called Anti-Terrorist Liberation Groups

Some of the alleged secret documents appeared in Spanish newspapers last autumn. They are mainly transcripts of papers kept by a former top intelligence officer, Colonel

records of conversations - among them a paper weighing different kinds of covert action in southern France against members of the Eta Basque separatist group. The favoured option is "disappearance through kidnapping". Another note suggests a pact with Mafia mem-

El Mundo claims that one piece of evidence - a handwritten annotation by Lieutenant-General Emilio Alonso Manglano, former chief of the Cesid intelligence service - demonstrates that Mr Felipe González, the then prime minister, was consulted about Gal's activities. Its claim is based on the abbreviation "Pte", which it says signifies "Presidente", the prime minister's official title. However, Gen Manglano has said it stands for "Pendiente",

start-up of "violent actions" in the south of France in September 1983. Another of the papers says that Mr González "apparently" knew about the falsification of evidence in the death of a woman terrorist.

Last month the supreme court voted by a narrow majority against calling Mr González to answer allegations that he authorised the Gal

El País justified its decision to publish the documents by saying it wanted to stop them being used in a manipulative way to control the political agenda. It said there were grounds for suspecting that the Gal | battlefield nuclear weapon disclosures were being used to bring pressure on behalf of disgraced former banker Mr Mario Coude in the legal case over his stewardship of Russia had to start with, Mr the Banesto group.

removed, by the justice min-

ister who can, and often

Tha role of the "parquet"

is crucial, not only becausa

cannot take up a case until

does, instruct them on cases.

their total removal.

5,000 warheads.

Russia urged to slash N-arms arsenal

By Bruce Clark in Brussels

Russia should follow the western example and slash its arsenal of tactical nuclear weapons, which remained very large despite the end of the cold war, Nato said yesterday.

The challenge was issued in a formal statement by Nato defence ministers, who will be joined today by their counterparts from tha former Warsaw Pact, including Russia'a Mr Igor Rodionov.

The latest message from Nato, which is trying to formulate e balanced policy on Russia as it prepares to expand, follows a statement by the alliance last week that it had no plans to put nuclear arms on the soil of new members.

Russian military experts have hinted that the role of their country's tactical nnclear arsenal could be upgraded if Nato enlarges. Mr Rodionov, while keen on Nato-Russia co-operation, has said nuclear missiles could be targeted on new alliance members.

Yesterday's statement called on Russia to move in the other direction. "At a time when Nato has vastly reduced its nuclear forces, Russia still retains e large number of tactical nuclear weapons in all categories," it said. Nato called on Moscow to complete the reduction of weapons in this category which was pledged five years ago, and consider further these conditions. "We are in

Unlike long-range nuclear weapons which are subject to detailed arms control agreement, holdings of tactical or battlefield nuclear arms are a closely guarded secret, and guesses by thinktanks are the only evailable data on this subject.

Washington and Moscow both pledged in late 1991 to set about eliminating the nuclear artillery shells, nuclear mines and other short-range nuclear weapons, based on land, air and sea, which they deployed in huge numbers during the cold war.

US holdings in Europe have now been confined to one type of weapon, the B61 in number to barely 200 from a peak of up to 6,000, according to Basic, the disarmament lobby group

Mr Jack Mendelsohn, deputy director of the US arms control association, said the Pentagon appeared to see little military use for tactical nuclear weapons in Europe, but allies such as Germany and Italy Would object to

Mr Stan Norris, a senior analyst at the Natural Resources Defence Council. estimated Moscow's tactical nuclear arsenal, all of which has been withdrawn to Russian soil, comprised at least

While Moscow had pledged to eliminate some types of and halve its holdings of certain others, there was no reliable data on how much Norris noted.

EUROPEAN NEWS DIGEST

Six Red Cross workers shot

The Red Cross froze its operations inCheckinya yesterday after six of its workers were murdered in their sleep on Monday night. The Red Cross workers were shot in their hospital in Novye Atagi, a town near the capital, Grozny. All were foreigners from Norway, the Netherlands, Canada, Spain and New Zealand. Five were women.

Both Chechen and Russian authorities condemned the attack, whose motives were unclear. Some local Chechens suspected it was a "provocation" by Russian intelligence, while the Russian media speculated it might be the work of Chechens who were denied lucrative Red Cross jobs. After almost two years of war, Moscow agreed a ceasefire with Chechen fighters this summer. But the Chechen separatist authorities, who are the region's de facto government, have yet to establish effective control.

The attack came in the midst of a hostage drama which had underscored the Chechen leadership's inability to control some of its own fighters. On Saturday Mr Salman Raduyev, who led a raid into Russia earlier this year, seized 21 Russian policemen. Chrystia Freeland, Moscow

González in Serbia probe

Mr Felipe González, the former Spanish prime minister, will head a team of international observers to investigate disputed local elections in Serbia, where the annulment of opposition victories has sparked a month of street protests. Under pressure of widening opposition protests and western criticism, President Slobodan Milosevic last week invited the Organisation for Security and Co-Operation in Europe to assess the fairness of last

month'a poll. Mr Milosevic vesterday met student protesters in Belgrade who had marched 240km in protest against the cancellation of opposition wins in Nis, Serbia's second biggest city. It was the first time he had met many of the protesters, and while he insisted the elections were fair. he said he would investigate claims of foul play and punish any wrongdoing.

In what may be an attempt to remove the most blatant cases of electoral fraud ahead of the arrival of Mr González's delegation, Serbian courts over the past three days have ordered the reinstatement of opposition victories in the towns of Nis and Smederevska Palanka, and a district of Belgrade. Remarks by Mr Zoran Lilic, the president of Serb-led Yugoslavia, yesterday appeared to signal possible purges within the regime. "Wherever irregularities are discovered... opposition demands should be accepted, and responsibility should be Laura Silber, Belgrade established," he said.

Greek civil servants strike

A 24-hour strike by Greece's civil servants yesterday, held in protest at government economic policy, was timed to coincide with the opening of debate in parliament on the 1997 budget. State schools, customs posts and government offices stayed closed, while doctors, diplomats and seamen joined a rally organised by the Greek Trade Union Federation outside the parliament building.

The budget's most controversial proposals are e public ector hiring freeze and the abolition of ebout 200 categories of tax allowances. Civil servants are to receive nominal wage increases averaging 8 per cent next year, but they object to e revised salary structure aimed at boosting productivity.

The broadening protests are set to climax tomorrow

with a farmers' march on Athens to press demands for debt write-offs and the restitution of tax breaks on fuel and agricultural equipment. Although their three-week blockade of highways around Greece has eased, militant cotton-growers are still blocking the main Athens-Thessaloniki road.

Mr Costas Simitis, prime minister, says he will discuss farmers' problems when the roads are cleared, but repeats joining European monetary union by 2001 if it makes concessions to special interest groups. Kerin Hope, Athens Editorial comment. Page 19

Hogg presses over beef ban

Mr Douglas Hogg, the UK agricultural minister, told EU farm ministers yesterday that the British decision to cull about 100,000 cattle considered most at risk of developing bovine spongiform encephalopathy (BSE) - or mad cow disease - meant it had fulfilled the conditions laid down in June for the resumption of beef exports.

He said the UK would make a formal request in early February to have the ban lifted on cattle certified as being free of BSE. An EU decision to lift the export ban has been blocked since the UK abandoned an agreement with its partners to implement a cull of animals most at risk of

However, Mr Franz Fischler, agriculture commissioner. said Britain would have to take further steps before the ban could be lifted. Also, Sir David Nash, president of the National Farmers' Union of England and Wales, said the UK would not be ready to meet the requirements for a lifting of the ban on its beef exports until next March. Sir David said the slaughter was unlikely to begin before the second or third week of February, after farmers had been given a chance to eppeal against the decision to destroy

Alison Maitland, London and Caroline Southey, Brussels ECONOMIC WATCH



1998. It said the increases would be driven by the waning effect of lower interest rates and a

stronger exchange rate. Figures from Statistics Sweden first nine months. The increase was ascribed to a 2.4 per cent increase in private consumption and higher export and investment levels. Industrial orders rose 4 per cent in

■ The EU's seasonally adjusted unemployment rate in October was 10.9 per cent, unchanged from September and compared with 10.8 per cent a year earlier.

 Switzerland's seasonally adjusted trade surplus widened toSFT/81.7m (\$165m) in November, compared with e revised surplus of SFr273.3m in October and a surplus of SFr599.9m a year earlier.

commission must sit in judgment President Jacques Chirac's suggestion that Chirac's move to reform France's judicial system

the "umbilical cord", tying France's judiciary to its political executive ahould be cut, is sparking vigorous debate, even before a new government commission on Mr Chirac said last week he wanted reform of French justice, like reform of defence, to be one of the hallmarks of his presidency. He had told the government to appoint a commission to "examine how one can ensure respect for the

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Editor: Richard Lambert,
clo The Financial Times Limited. Number
One Southwark Bridge, London SEI 9HL. focused on the issue of judicial independence. Leftwing the "siège" rule on cases like are immovable; they cannot claimed the key reform was ents.

has caused consternation, writes David Buchan magistrates and newspapers Anglo-Saxon judges, others be forced to resign, or be have generally welcomed the are "juges d'instruction," promoted and kicked

who have become increas-

ingly bold, as many French

politicians and businessmen

know to their cost. This is

not surprising because mag-

istrates of the siège are

Magistrates of

they cannot be

the siège are

prospect of reform, on the grounds that it would prevent the Gaullist-led government from smothering the judicial investigations of Mr Chirac's RPR Gaullist party. especially in Paris where the president was mayor for 17

Several rightwing politicians have questioned Mr Chirac's move.

One Gaullist deputy, Mr immovable; the dignity of the defen- Patrick Devedjian, voiced concern over the consequences of the disappearance of political control in a tive detention is one. France way that may give all mainhas been scolded by the stream politicians pause for European Human Rights thought. "What would hap-Commission in Strasbourg pen," he asked, "if a magisfor the fact that more than trate, close to the [far-right] half its prison population National Front, were to has never been tried, let decide to prosecute only alone sentenced. Another Maghrebin burglars?"

The nub of France's judiand even more tha time lim- cial problem is the unequal its on - the charge of "mis- position of its two categories use of corporate funds" lev- of magistrates - magistrates elled at many company of the "siège" [bench] and magistrates of the "parquet"

-C-E- 1

forced to resign. or be promoted and kicked upstairs against their will

> Council (CSM), even though the French president and justice minister are nominally also members of this body.

hard to appeal against a decision by the "parquet". Thus, the political independence of the "siège" can he appointed by their peers in the Suprema Magistrates easily undermined by the political dependence of the "parquet".

Some of the magistrates of Magistrates of the siège Socialist justice minister, who has a number of US cli-

Mr Eric de Montgolfier,

the Valenciennes public prosecutor - who proved his independence in pursuing Mr Bernard Tapie, the forit supervises preliminary mer leftwing politician/busipolice investigations but also nessman and one time because a juge d'instruction owner of Olympique-Marseille, in e football bribery that case is passed on by the case - says political "depen-"parquet". It is extremely dence is all in the head".

If French governments were to cut their umbilical cord to prosecutors, they would find it hard to set any kind of centralised judicial policy on, for example, economic crime, sexual violence In the wake of Mr Chirac's or racial discrimination, says initiative, Mr Robert Badin- one French lawyer. "It could ter, a distinguished constitu- create judicial anarchy as in tional lawyer and former the US," adds this lawyer,

تعكفاه فالاحل

weden's central bank, the
Riksbank, yesterday cut its
key repurchase rate from
4.35 per cent to 4.45 tees the "siège" enjoy to the "parquet". This is what in many ways several of 4.35 per cent to 4.10 per cent, but warned that room for further reductions was limited. Publishing its quarterly inflation report, the Riksbank predicted that annual consumer prices – which have fallen France's neighbours have cent, but warned that room done, most notably Italy. for further reductions was But not everyone is coninvectigating magistrates upstairs against their will. vinced of the real weakness As their old French name of the "parquet". Mr Chirac, suggests, the magistrates of in his television interview the "parquet" present cases last week, noted that the prices - which have fallen from the floor of the court, parquets' prosecutors "do year-on-year in the past two months - would rise in effect acting as public not obey" ministry instrucprosecutor. Their status is tions, though it was unclear by almost 1.5 per cent in quite different. From a list whether he meant this 1997 and by 2 per cent in provided by the CSM, they approvingly or disapprovare appointed, and can be

showed gross domestic product grew 1 per cent in the the year to October but declined 3.8 per cent from September to October after a sharp rise in late summer. Greg McIvor, Stockholm

■ The Spanish trade deficit narrowed 39 per cent to Pta166bn (\$1.3bn) in October from a year earlier, and compared to a Pta301bn deficit in September. ■ Finland's trade surplus in September totalled FM3.021bn (\$654m), compared with FM4.412bn a year

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Proceeding and

West pledges Ukraine \$2.4bn

By Matthew Kaminski in Kiev

Western governments and institutions yesterday pledged Ukraine \$2.4bn in loans next year to finance a higher budget deficit as part of an ambitious plan to stimulate growth:

The western support, which was finalised at meeting in Washington, comes at IMF agreed to give more a politically tense time in than the \$1bn originally of government oversight of Klev as parliament considers the government's proposals for a tax cut, a deregulation in loans. Trade credits worth package, pension reform and the 1997 budget.

community was ready to approves the legislative government to raise the 1997 balance of payments support "support the important package and the budget. But, fiscal deficit from 2.3 per loan would not be released reform programme" with Mr Victor Pynzanyk, deputy cent to 4 per cent, roughly this year, as planned, after \$5bn in the next three years. Yestarday'a meeting was "the last piece of the pie".

Tha International Monetary Fund said yesterday western governments had nearly covered Ukraina's needs next year with pledges of more than \$500m. The planned as did the World Bank, now down for \$750m \$1.1bn were separately pledged.

prime minister who led the Ukrainian delegation in Washington yesterday, said the proposals were "some of the most far reaching in the

region" and predicted swift parliamentary approvel since "no one has any other according to the IMF. choice . The planned reduction in tax rates and easing private business activity is aimed at reversing the 10 per drop in the first nine months

half of which will be the Kiev government last financed by the west. month imposed new import Ukraine also needs western duties and did not remove support for foreign debt payments of \$1.4bn that are due next year. Gross financing naeds in 1997 are \$3bn

The growth stimulation measures are meant to consolidate Ukraine's recent achievaments in keeping monthly inflation under 3 cent gross domestic product per cent and stabilising the currency.

A senior US government official said the international pledged.

Pledged.

The expected decrease in firmed last week the second revenues last month led the tranche of its Ecu200m 1996

export duties on livestock and hides and skins. Some doubt was cast over

Mr Leonid Kuchma'a commitment on reform earlier this week when Mr Anatoly Halchinsky returned as the president's chief economic adviser. Mr Halchinsky, dismissed from the same post last year, stood behind the president'a softening on reform that eventually caused a rift with the IMF in

Juppé pins hopes on book

By Andrew Jack in Paris

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Florest grant over hells

France's prime minister has resorted to a new tactic in his battle to improva his flagging popularity - speak-ing directly to the people over the heads of the media. Mr Alain Juppé has writ-

ten a book, apparently tha first published by a French prime minister in office, designed to defend his policies and reveal the softer side of his personality.

In just over 100 pages, Entre nous (Between us) attempts to portray a sensitive, emotional man unfairly attacked by the press over 18 months in office, a leader with his feet firmly planted on the ground in spite of his computer-inspired nickname "Amstrad".

The book, priced at FFr59 (£6.82) with an initial printrun of 50,000, was prepared in great secrecy. It was written in just over a month -Mr Juppe called the publisher in late October - and was updated after the December 3 bombing of a Parisian commuter train, which he says left him angry, and determined to fight "with all my force, all my heart". The publisher, Nil Editions, is a small Paris-based company launched two years ago and which produced two electoral pamfellow Gaullist, President Jacques Chirac, as well as the best-selling hooks on southern France by Englishman Peter Mayle.

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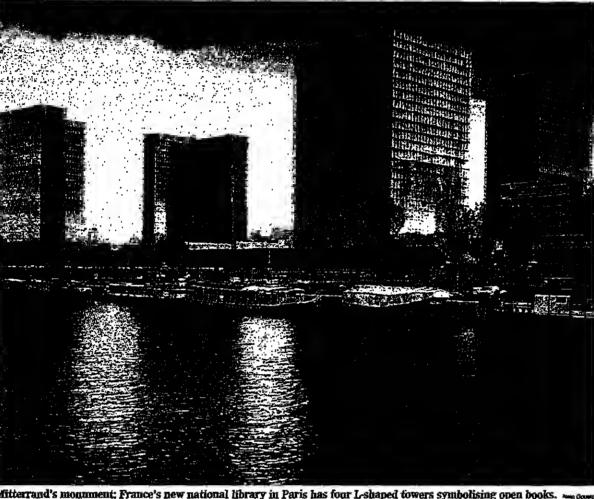
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The prime minister says he loves power - "the effective power to resolve a problem." Answering charges of an elitist manner, ha etresses that be worked bard to achieve his qualifications and did not come from an aristocratic family.

He calls the proposed single European currency the "only way for our children to work in a region protected from international financial apeculation, with equal chances against the dollar." Observer, Page 19



Mitterrand's monument; France's new national library in Paris has four L-shaped towers symbolising open books.

Bibliothèque makes towering debut

By Andrew Jack in Paris

liothèque Nationale de France, the country's monumental new national library run to FFr1bn. which has been shrouded in controversy since the project was launched in 1988.

stretches over seven hectares and has four L-shaped towers eymbolising open books, cost nearly FFr8bn (\$1.5bm) to complete and has been subject to delays. From Friday the public

will be able to gain access to books on open stacks, as well as magazines and newspapers, while films and other audio-visual materials can be examined on computer screens.

public sections of the Bib- on low incomes - making a small contribution to annual operating costs estimated to

The entire library was scheduled to open last Octo-The building, which President François Mitterrand, who died in January and originally announced its accessible in electronic inaugurated the building abandoned after concerns River Seine. once last year. Academic researchers will not now have access to the parts of

> them until 1998. Amid intense debate, the decision was recently taken to name the new site Bibliothèque François Mitterrand, although staff stressed

FFr20 a day or FFr200 a institution, which includes containing trees trans-President Jacques Chirac year for access - with reductive existing historic planted when they were central Paris, would retain the name Bibliothèque Nat-

> Mr Jacques Attali, the former adviser to President Mitterrand, had originally ber, and formar Socialist proposed an ambitious "virtual" library, with all existing collections stored and construction, had already form, but the plan had to be were raised over the cost and practicality.

ionale de France.

The towers were designed the library designed for to be transparent, but are now covered in wooden shutters, in response to of sunlight on the books stored inside.

Ecologists complained

They will he charged yesterday that the overall about the artificial garden, tropical wood from Gabon which lines much of the

interior. There have also been concerns in the local community.

The library is supposed to be the centrepiece of a wideranging redevelopment of parts of the 13th arrondissement of Paris along the

But at present it stands isolated in the middle of a construction site, at the centre of a debate by local residents concerned about the destruction of their commufears of the damaging effect nity, and many dozens of artists whose studios in an adjacent building are under

Issing warns on euro Bundesbank and competitiveness stays firm on

By Andrew Fisher and Peter Norman in Frankfurt

Mr Otmar Issing, a senior director of the Bundesbank, world currencias to help But people will have to learn has warned against making tha European single currency an instrument for boosting trade competitiveness as this would under- The euro should not be seen mine attempts to keep the euro stable.

Mr Issing, a member of the do. German central bank's policymaking council, said European economic and monetary union would have powerful implications for wage policies in the euro area because excessive pay deals would immediately ally competitive euro to help have a negative impact on employment.

In an interview with the Financial Times, Mr Issing Emil were becoming clear to new currency.

more people as the planned "You can't talk down the more people as the planned 1999 approached.

"History does not end when Emu starts, as people are gradually realising," he

He emphasised that the single currency would cause conduct of economic fiscal and monetary policy in Emu tion in the euro zone were countries. The impact would be felt well beyond the curdent central bank with the

should be kept relatively low effect on employment. Not against other important everyone is aware of this. companies' business abroad. "You can't promise a weak and a strong euro to savers. as a mechanism for promo-

ting exports. That will not Although he did not identify those who had expressed such views, some French politicians and bankers, as well as German businessmen, have indicated their ing said. support for an internation-

exporters. Mr Issing said, however, this would work against the efforts of those striving to said the real dimensions of build up confidence in the

starting date of January 1 cure for the purpose of using the joint currency as a weapon in world trade. Tha option of making the currency soft through lax monetary policy is not available in the treaty - the ECB [European Central Bank] is fundamental changes in the not allowed to do this - and this would not help if infla-

then to rise." He was equally outspoken rency arena. "There will be about the need to guard no exchange rate freedom against irresponsible wage and there will be an indepen- policies in the future Emn zone. "Currency union will obligation to pursue price have consequences for wage policy," he added.

this very fast."

The impact of high wage euro to exporting industry rates could not be offset by exchange rate devaluations or be accommodated by the

"Those who expect a sta-Europe with an independent central bank that does not bow to pressure must also expect wages to come under the same influence," Mr Iss-

As the institution charged with maintaining the euro's stability, the ECB would need a strategy "that acts as a pre-commitment to the

This would involve, above all, a monetary policy based on money supply indicators. The ECB should augment its money supply pohcy with forecasts on price trends. "I propose a clear hierar-

chy of indicators," Mr Issing said. "For us [in the Bundesbankl money supply is the most important. Then, some way behind, come such He said he did not favour

inflation targeting as practised by the Bank of England because this was a "second best solution". Fears over Emu, Page 18

Mr Issing strongly opposed suggestions that the auro should be known valuational law will have an immediate should be known valuational law.

By Peter Norman

The Bundesbank yesterday rejected suggestions that it should cut short-term interest rates to give Germany's sluggish economic recovery

In remarks anticipating a bla common currency in decision not to change borrowing costs at tomorrow's meeting of its decision-making central council, the bank took issue with opposition politicians who have urged a more aggressive monetary policy to stimulate the econ-

> In its latest monthly report, the bank warned that a "short-termist" rate cut would raise the risk premium on long-term interest rates and increase the danger of speculative disruptions on financial markets. Noting that the control of inflation was a permanent would be wrong to cut rates because Germany currently

The Bundeshank warned that economic growth and a important factore as strong export performance exchange rates and price in recent months did not trends, labour unit costs and mean Germany had solved its problems. Weak business need for moderate and flexithe company sector.

enjoyed price stability.

Mr Theo Waigel, finance minister, yesterday reaffirmed the government's goal of cutting Germany's income and corporation tax rates to competitive levels so that advanced industries such as cars, chemicals and computers would no longer invest outside Germany for

tax reasons. Promising the government's special commission on income and corporation tax reform would complete its work by end-January, Mr Waigel said his aim was to bring top tax rates below 40 per cent and create scope for "thousands and thousands" of small and medium-sized

companies to grow. Speaking in Munich yesterday, the minister said economic models based on the early outlines of the planned tax reform suggested it would boost real economic ohligation, the bank said it growth by about 0.5 percentage points and add up to 1.5 points to investment growth rates. The government aim is to reform the income and corporation tax systems

from January 1999. Mr Waigel said he intanded to prepare the reform so thoroughly by the investment and rising unem- end of next month that politployment pointed to the ical decisions could be taken immediately and a start be ble wage settlements and made to turning the policy lower taxes, especially for into legislation early next

TEN RESOLUTIONS KEPT IN IRELAND IN 1996.



AMERICAN AIRLINES

The world's largest airline recruited 260 multilingual staff at its first Pan-European reservations centre.



BERTELSMANN

The German media giant set up a customer and technical support project through its joint venture with AOL to provide online services, while its Sonopress subsidiary expanded its CD production facility.



CITIBANK

As part of its global strategy to take it into the next century, Citibank chose Ireland for its 1000-person European processing centre for securities, trade and cash operations.



The German leader in energy, environmental and process technology made Ireland its world centre for applications software and process systems design.



HEWLETT-PACKARD

Hewlett Packard added its second major plant to two years - manufacturing printheads- bringing total investment to over US\$500 million and total jobs to over 2000.



IBM selected Ireland for investment of US\$350 million in a strategic, advanced electronics campus to employ nearly 3000 after setting up a world-wide PC customer support centre earlier this year.



JOHNSON & JOHNSON

Johnson & Johnson announced its fourth Irish facility - a US\$50 million manufacturing and technical support centre for orthopaedic parts. The company's Vistakon disposable contact lens plant, began production and employs 200 people.



EASTMAN KODAK

The largest maker of photographic products in the world launched Europe's first recordable CD manufacturing plant; a second project to manufacture film



The second largest software company in the world expanded its operations by adding a 400-person centre to sell information management software products.



The Swiss pharmaceutical giant unveiled plans to invest a further US\$80 million in manufacturing capacity.

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Moscow will take 'appropriate measures' if the Taliban forces push further north, says envoy

Russia warns of Afghan intervention

By Mark Huband in Mazar-i-Sharif

Russian action to halt the advance of Islamic fundamentalism from Afghanistan into the central Asian states will hecome more overt if the forces of the Islamic Talihan movement pierce the buffer of Russian and Iranian-backed factions opposing the Islamists in northern Afghanistan.

"If Taliban came into the north there would be terrible bloodshed. And if our borders were under threat we would take appropriate measures," said Mr Nikolae Schevchenko, head of the Russian diplomatic delegation. The delegation has been based in the northern town of Mazar-i-Sharif since the seizure of Kabul by the Taliban in September.

"The Russian role in the region is inevitable," he said, specifying that Russia views its borders as those of its southern neighbours Uzbekistan, Tajikistan and Turk-

"I believe that considering Taliban's actions and their ideology, that they are planning to come here, and they are preparing their expansion as far as Samarkand. and we think their coming here would be a threat to the CIS." he said.

Seven years after the Soviat withdrawal from Afghanistan, the warravaged country is now more than ever the focus of regional rivalry.

There's a trilateral alliance between Russia, India ern interests and Iran's and a third state. None of regional goals.

'I believe that considering Taliban's actions and their ideology, that they are planning to come here . . . and we think their coming here would be a threat to the CIS'

'It's basically an economic war that

Russian diplomat

Russia and other powers are pursuina' Pakistan's consul

these three powers wants a return of peace, because it's not in their economic interest," said Mr Umar Khan Alisherzai, Pakistan's consul general in Afghanistan, avoiding naming Iran as the third country involved.

"It's basically an economic war that Russia and other powers are pursuing. These Central Asian countries and northern Afghanistan are full of natural resources. Russia won't be abla to exploit these resources, because it doesn't have the investment capability, and fears competition from the more technically developed economies of the west."

Rnssian officials are agreed that economics is central to the strategy being played by all the countries involved, though they claim that Russian technology and political presence will pro-vide a balance between west-

"Russia is consolidating itself, our main interest being to ensure that our allies in the region are safe," Mr Schevchenko says. "The trada routes to the Indian Ocean would be of great benefit to Russia. [The Russian gas company] Gazprom will play a major role in the gas pipeline from Turkmenistan. as technically all gas projects in Turkmanistan are based on Russian technol-

ogy. And the involvement of

[Russia] will act as a buffer

against Iranian objections to

western involvement in the

project," he said. Political backing for the Afghan factions has not diminished despite the launch of a new UN initiative to establish a ceasefire. Last week Mr Norbert Holl, UN special envoy to Afghanistan, launched a round of shuttle diplomacy, in an effort to achieve a ceasefire.

For Pakistan, homa to 2.5m Afghan refugees, the want to keep this country

TURKMENISTAN PAKISTAN

wish to see a friendly government on its western frontier is paramount. Equally, it central Asian trada rontes passing through Afghanistan via Pakistan to the Indian Ocean, potentially undermining Russian and Iranian

Despite its close ties with Taliban, such direct interests have led Pakistan to remain on reasonable terms with the porthern faction leader General Abdul Rashid Dostum, allegedly supported by Russia and Iran.

influence.

"Pakistan has a declared enemy on one side, and cannot have another enemy on the other." said a senior Pakistani military source, going further than most Pakistani officials in acknowledging Pakistan's support for the Taliban.

"There is a convergence of intarests between Taliban and Pakistan, as the Taliban united. At the moment it's a military situation," the official said. "It's unfair to judge the Taliban by the current situation. These are very warlike, uneducated people. They are very violent. In order to ensure law and order where there is no police, something different from the normal practices may be successful."

lem clerical regime, has played the most active rola in forging the alliance against the Sunni Taliban, encouraging the factions led by Gen Dostum and Gen Ahmed Shah Massoud to unite in creating the committee for the defence of Afghanistan in the north of the country.

Iran, ruled by a Shia Mos-

Cargo flights of the Dostum-owned Balkh Air fly regularly from Mazar-i-Sharif to Masshad, in eastem Iran, aviation officials in Mazar-i-Sharif confirmed. Dinlomats close to the alli-

weapons supplies are coming from Iran. At least one intelligence service in the region says chemical weapons have

been acquired by the northern factions. Rivalry over Afghanistan has adversely affected traditionally good relations between Iran and Pakistan. Pakistani officials were incensed that Iran recently tried to bring India - which has close ties with Gen Massond - into the regional equation, by including it in talks on the Afghan conflict

m Tehran. Iran has an ancient rivalry with the Pashtun Afghans from which Talihan is drawn, and is concerned that the Sunni Talihan may dilnte Iranian Shia domi-nance of the Islamic revival.

"Since Iranians are very narrow-minded, they are envious of other peoples' success," said Mr Amid Khan Motaqi, Taliban's act-ing minister for information and culture, in Kahul

US officials deny their tacit acceptance of Taliban stems from Iran's opposition to the new regime in Kabul. Bnt as US and Pakistani interests coincide, the US need do little more than have its ally pursue policy on its behalf, avoiding the thorny issue of Taliban's principles, about which Pakistan has no illusions.

"Very few of the leaders in Afghanistan have struggled for principles," said a senior Pakistani official. "They are struggling for power. So a nation hled, and is still

INTERNATIONAL NEWS DIGEST

Battle spreads in Mogadishu

A fresh eruption of violence in Mogadishu, the Somali capital, spread yesterday when another large faction joined the fighting, which has killed more than 135 people and wounded 900 in five days. Militiamen under Ali Mahdi Mohamed, leader of a north Mogadishu alliance, shelled Hussein Aideed's "presidential" palace and other positions held by his forces.

All Mahdi's four-wheel-drive "battlewagons" fired cannons at a road junction in south Mogadishu, near the closed airport and residential areas. Hussein Aideed's gunners fired mortar bombs into north Mogadishu in

The latest round of violence erupted last Friday, and has killed more than 135 people.

Tunisia curbs Israel links

Tunisia yesterday became the latest country to put its relations with Israel on hold, blaming the Israeli government's failure to implement agreements signed with the Palestinians. Mr Habib Ben Yahia, Tunisia's foreign minister, told parliament that Israel's settlements policies were in violation of the Oslo peace accords.

Tunisia and Israel established interest section offices. earlier this year. Trade is minimal but Israeli officials said

it represented a psychological blow for Israel's attempts to normalise relations with the countries of North Africa. There is also concern about the level of relations with Morocco, which has close ties with Israel and a liaison office in Tel Aviv. Israeli officials said there have been no high-level visits or invitations to Morocco since the election of Mr Benjamin Netanyaho as prime minister last

May. Oman and Qatar also recently froze their relations Judy Dempsey, Jerusalen

UN awards Kuwait \$610m

The United Nations body for Gulf war reparations yesterday awarded \$610m to the Knwait Oil Company for quenching some 700 oil well fires started by retreating. Iraqi troops in 1991. The UN Compensation Commission accepted the

recommendations of a three-man arbitration panel that these were the verifiable costs of putting the fires out. The company, which put in a claim for \$951m, had \$3m. disallowed, and was told to resubmit the rest as claims for loss of and damage to property. Frances Williams, Geneva Commodities, Page 30

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Lebanon gets \$3bn aid pledge

More than \$3bn of official aid was pledged to Lebanon at a US-brokered donors' conference, the Lebanese government has announced. Officials said more than \$1bn was available immediately and a further \$2.2bn would finance projects over several years. France, the European Union and the World Bank will be among the largest .

Mr Rafiq Hariri, prima minister and architect of Lebanon's reconstruction programme, proposed at the conference 31 projects worth \$5bn and asked for an additional \$1hn in loan guarantees. But the sums pledged went beyond Beirut's expectations, and were bailed as a vote of confidence in Lebanon's reconstruction programme. Lebanese officials said a large part would be in the form of soft loans, which will lower the government's horrowing costs. Roula Khalaf, London

Moslem vigilantes in Cape Town clashes

By Roger Matthews

The South African government warned anticrime protesters yesterday that it would not tolarate further illegal demonstrations, after serious clashes with police in Cape Town which led to exchanges of gunfire and at least 11 people wounded.

serious worsening in relations between the police and People Against Gangsterism and Drugs (Pagad), the mainly Moslem organisation which sprang to prominence has several times clashed in August when it shot dead with police. and then set alight one of Cape Town's most notorious

Pagad has accused the police firing teargas and rub-government of not doing ber hullets after Pagad

The fighting marked a enough to combat crime, and defied a ban on holding a them seriously. Mr Sydney the police of being corrupt. During the past four months it has staged repeated marches on the homes of suspected drugs dealers, and On Monday afternoon run-

ning hattles broke out at Cape Town airport with

rally. The clashes worsened early yesterday when police claimed Pagad members opened fire while attempting to storm a court building where emergency applications for bail were being heard for people arrested earlier in the day.

A police spokesman said seven officers had been wounded by gunfire, two of deplored the violence and

safety and security, accused Pagad of acting with total disregard for the law, and said this would not be tolerated. The police were being forced to spend large sums monitoring Pagad rallies which should be spent fighting crime, he said.

Mufamadi, the minister for

Provincial officials also and will be treated as such,"

ist destination and is bidding to stage the 2004 Olympics. Police said no further talks would be held with Pagad because it had confused fighting crime with causing crime. "Pagad has degenerated into just another gang,

to Cape Town; which is

South Africa's premier tour-

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Nigeria sues Italians in gas dispute By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in Milan By Paul Adams in London end John Similars in London end John Sim

the Italian state electricity utility, for pulling out of a contract to buy \$15bn of Nigerian gas over 20 years.

Enel had contracted to buy 3.5bn cubic metres of gas a year, half the output of Nigeria LNG's \$3.8bn plant at Bonny, near Port Harcourt, due to start produc-

That contract was e main draw because e decision not

element of the shareholders' to build an LNG terminal at by political difficulties since the gas is not economic. as a by-product of oil producted decision to proceed with the Montalto di Castro on the first mooted in the 1960s but That is no reason to under-tion, and important to between Shell Gas, the Anglo-Dutch group, Elf Italy and the state-owned Nigerian National Petroleum

Corporation. Enel cisims there is a force majeurs clause allowing obli-gations to drop should parties be prevented from going ahead. It said it had to with-

mental conditions attached to building the terminal put Aquitaine of France, Agin of the Montalto investment in jeopardy. The cost of unloading the gas in open sea was one of the obstacles.

Enel said: "We are negotia-ting with Nigeria LNG in order to find the best way of limiting damage arising from this situation. The project has been beset

ment decision late last year in the teeth of international condemnation of the Nigerian military regime for executing one of its leading crit-

ics, Ken Saro Wiwa. "We don't know why they don't want the gas," said Mr Oerlemans. "They have tried to argue that it is force majeure, which we do not accept, and are now saying

minated the contract and the company has started international arbitration in Geneva to claim damages from Enel.

The rest of the gas is to be sold to utilities in France, Spain and Turkey. The LNG project is vital to Nigeria's exploitation of its vast natural gas resources,

tion, and important to Shell's ettempt to improve its environmental record in

Tha project would earn about \$1bn e year in exports from early next decade and could lead to more gas devel-

"This decision is totally unprecedented in the international gas industry. Gas companies have to be certain of the other side in such contracts," said Mr

WORLD TRADE NEWS DIGEST

GE in China power deal

GE Capital, a subsidiary of General Electric of the US. yesterday signed a \$250m agreement with the Shanghai power bureau to upgrade and operate a 400MW gas turbine power plant.

Mr Peter Geldart, managing director of GE Capital Asia Pacific, described the agreement as a "milestone" and said it was the "first long-term, non-guaranteed commercially financed power project in China"

A consortium of foreign banks led by Standard Chartered arranged e \$124m loan for the project without Chinese sovereign guarantees, a stumbling block for other

Mr Gareth Bullock, head of corporate banking et SCB, said financing was the "first non-recourse commercial loan for a power project in China." The project is being funded with 30 per cent equity and 70 per cent loans.

Mr Geldart said GE, which is supplying four gas turbines, had gone ahead with the project because "we are dealing with e first-rate power bureau." The project also had the support of the Shanghai municipal government. GE Capital will hold 30 per cent equity and the Shanghai power bureau 70 per cent in the project which will run for 17 years under built-operate-transfer

Mercosur plans regional bank

Mercosur, the four-nation Latin American trade grouping. yesterday announced plans to set up a development bank to provide capital for infrastructure projects in the region. Although details of the institution are still to be decided, officials said the bank would have a capital structure, credit facilities and rules of operation similar to other international financial institutions.

The members of the customs union - Brazil, Argentina, Paraguay and Uruguay - elso signed an agreement giving "associate" membership to Bolivia, which will also participate in the new financial institution, Bollvia becomes the second country to become an associate member of Mercosur, after Chile. Geoff Dyer, Fortalcan

Swedes invest in east Europe

AssiDomän, the Swedish forest products group, is to invest \$30m in a new corrugated board plant in the Czech Republic, which it hopes will spearhead a drive into central and eastern Europe over the next three years.

The plant, near Prague, will supply the German and Austrian markets as well as aiming for a 9 per cent share of the Czech market. Mr Lars Richardson, president of AssiDomän Packaging, said the plant would be e hub for a drive into

Russia, Poland, the Baltic states, Slovakia and Hungary through new plants and acquisitions. The company is currently building e new box plant in

St Petersburg. Vincent Boland, Prague

Anglo-Dutch oil group, has signed a two-year \$64m contract with the state-owned National Power 6m litres of diesel a month.

Caltes Philippines.

Japan backs **Three Gorges** contracts

By Our Foreign Staff

Jepan has agreed to provide government finencial support for companies bidding for the controversial Three Gorges dam project on China's Yengtze River, Kyodo, the Japanese netional news agency, reported last night,

Kyodo cited sources in the Ministry of Internetional Trade and Industry es seving export cradit insurance as well as loans from its Export-Import Bank would be available to fund the project wblch will displace more than 1m people and creete e lake 660km long in Hubei province.

The decision came on the eve of today'e deadline for bids sought by China for the supply of 14 turbines, each of 700MW, and is likely to boost the chances of e Jepanese consortium incorporating Mitsubishi Heavy Industries, Mitsubishi Electric, Toshiba and Hitachi, which has been preparing e bid for the

environmentalists.

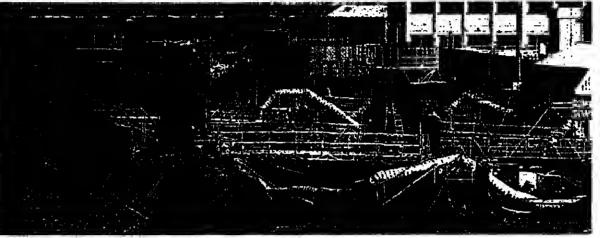
Kyodo said the Japanes government had decided the project would not cause conducting local surveys. Its enquiries had also shown that people who were displeced would be compensated.

Among other groups which have shown interest in the dam is a consortium comprising ABB of Sweden, Kveerner Industries of Norway and GEC Alsthom. the Anglo-French Group.
ABB said in October it had asked the Swiss government for export credit guarantees.

Another group comprising GE Canada, Voith and Siemens has also been preparing a bid. Canada has seid it would provide funding. Russian companies have also expressed interest. The dam is axpected to cost \$30bn and become operational in 2003, ganarating 18,200MW of

The order for 14 turbines to be installed represents the Jepan's raadiness to first large contract for the finance the deal is in stark project. China is expected to contrast to the US whose have a further 12 turbines Eximbank said earlier this operating on the other bank be revived after the next year that it was refusing but thase will be general election in Canada, finance after protests from manufactured domestically, expected to be called within

electricity.



Four Upholder submarines at VSEL in Barrow, They would help Canada to retain a significant naval capability

Special fuel cells may revive UK-Canada submarine deal

By Bernard Simon in Toronto

interest in buying four almost naw diesal-electric submarines from Britain.

A deal for the Upholder class boats has been under negotiation for more than two years, and came close to being finalised last spring. But Mr Jean Chrétien, Canada's prime minister, has balked at a big military purchasa when budget cuts have trimmed spending on

social security and health. UK and Canadian officials expressed cautious optimism however, that the deal would

the next nine months. Mr Doug Young, who such as buses, delivered two recently took over as defence minister, said this month that as e member of Nato and Norad (North American rine builder.

Aerospece Defence Com-mand) "we must decide if we can properly safeguard Caneda's sovereignty with e navy composed solely of surface ships. . . If we allow our submarine capability to lapse, we would have great difficulty re-establishing It." The renewed Canedian

interest has also been triggered by research et Ballard Power Systems, a Vancou-ver-based technology company, into the use of long-life fuel cells as a power plant

Ballard, which also makes cost about £1bn (\$1.64bn) to ing for Royal Navy crews.

fuel cells for surface vehicles test plants earlier this year to Howaldtswerke-Deutsche Werft, the German subma-

The cells, which convert bydrogen into electricity without combustion or pollution, would enable the Unholder boets to operate under Ice. The Upholders are currently fitted with diesel-electric engines.

A Ballard official declined

comment on the company's role. Ballard recently got C\$30m (US\$22m) in financial support from the federal government to develop stationary power plants for hospitals, schools and factories.

The four Upholders, which

after the Royal Nevy opted for an all-nuclear submarine fleet in the early 1990s. Canade has been toying

for some time with a replacement for its three 30-year-old Oberon boats. Other Nato members have urged Ottawe to buy the Upbolders, which would allow Canada to maintain e significant naval presence in the elliance. The boats would also be used to train UK and US submarine crews.

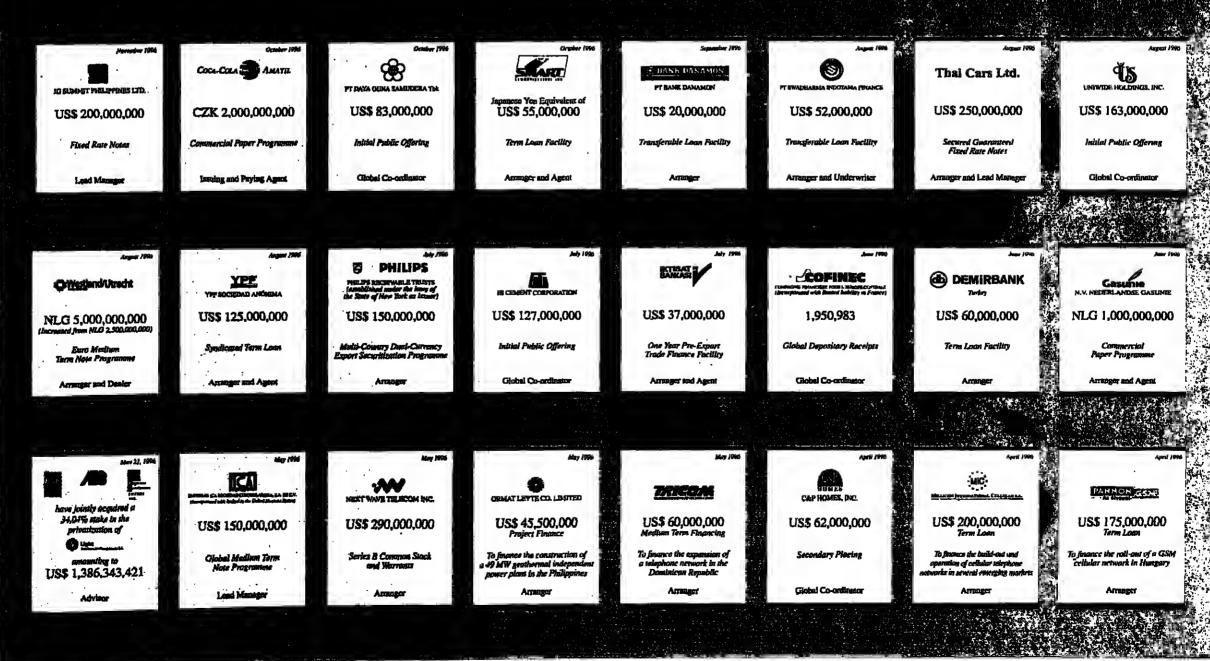
The UK has offered the boats to Canada at what it considers to be e bargain price of about C\$400m, with payments spreed over 10 years, and part of the cost to be paid in the form of train-

Shell in Philippines deal

Pilipinas Shell, the Philippine subsidiary of the Corporation (Napocor) to supply 6.5m litres of fuel oil and

Napocor recently signed a contract with Petron Corporation and is expected to approve another with Justin Marozzi, Manila

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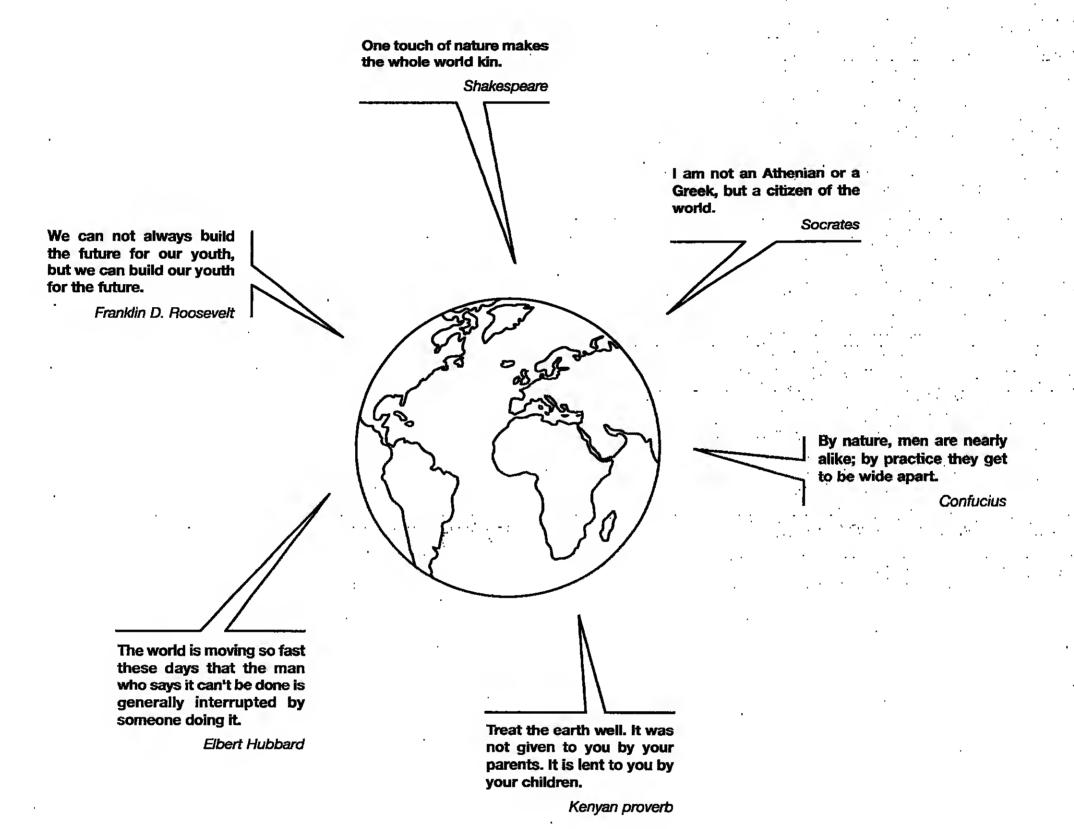
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Clinton backs return of funds

By Jurek Martin In Washington

الم الإينات الأناث

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E-War

e Queen and August 1997 of the

4 4 (1)

Precident Bill Clinton yesterday said his Whitewater legal defence fund was right to return more than \$600,000 in contributions from a Chinese-American acquaintance in Arkansas

The president said he was unaware that Mr Charles Yah Lin Trie, previously a restaurateur in Little Rock. had been raising money on his behalf before being advised by Mr Michael Cardozo, the fund's director.

Mr Clinton defended Mr Trie as a classic hardworking immigrant. But he added that "even any appearance of impropriety should be removed," Which had been a concern of Mr Cardozo.

This is not the first time Mr Trie's name has cropped up in the political fundraising controversy. Earlier this vear the Democratic National Committee returned a \$15,000 contribution from his trading com-

pany, having ascertained the legal advice not merely to source of the donation was handle the several Whitefrom outside the US.

Mr Cardozo's announcement late on Monday is certain to heighten interest in the connections between Mr Clinton, his party and Asian business concerns. The Indonesian Lippo conglomerate John Huang, the former commerce department official responsibla for party fundraising, while its controlling Riady family got to know Mr Clinton while he was governor of Arkansas

White House. The most immediate impact, however, is on the defence fund itsalf. The \$639,000 donated by Mr Trie comprises about a third of the amount raised to date to offset the First Family's mounting legal costs, now believed to run into several million dollars.

and has been invited to the

This is well beyond the Clintons' known personal assets. They have required

handle the several Whitewater-related probes but also the sexual harassment suit brought by Ms Paula Jones against Mr Clinton.

The Clintons' financial plight is commonplace in Washington, where several officials from the Clinton previously employed Mr and Bush administrations, ranging from Ms Janet Mullins, political director in the Bush White House, to Ms Margaret Williams, chief of staff to Mrs Hillary Clinton, have incurred legal bills far exceeding their salaries and

Ms Mullins was eventually exonerated by a apecial investigator for allegedly having taken part in the state department's alleged search of Mr Clinton's passport records during the 1992 campaign and has received partial financial recompense.

Even Mr George Stephanopoulos, the soon-to-depart senior aida to Mr Clinton.



bas estimated he has run up has been neither accused nor tract be signed this week \$70,000 in affidavit and other suspected of any wrong means he can meet the costs. has been neither accused nor tract be signed this week

reigns. The country's unem-

ployment figures - unlike

those, for example, in

Mexico and Brazil - include

the informal economy.

which by most estimates

accounts for 40-50 per cent of

cal analyst, says unemploy-

ment in the formal economy

is running at about 8 per

cent. However, if the econ-

omy continues to grow, the

informal economy should

generate more joba thao

But even if the legislation

encourages the movement of

more workers into the for-

mal economy, it will not

have much effect on the job-

Ms Débora Giorgi, partner

at the Alpha economy and

business consultancy in Bue-

nos Aires, says the current

rules on worker dismissal are not, in any case, a signif-

icant cost for large compa-

most economists think,

Mr Rosendo Fraga, a politi-

Argentine employment,

legal costs even though be doing. The sam book con-

"This change could reduce

by 15 per cent the labour

costs of the telephone and

electricity companies," she

Many economists say the

main disincentive to hiring

new workers in the formal

economy is Argentina's pay-

roll tax, which with other

levies adds an average 41 per

cent to labour costs over and

Although the government

has often expressed a wish

to reduce the payroll tax, it

is one of a few important

taxes that central govern-

ment does not have to share

with the provinces, which

At a time of budget strin-

gency, abolishing the payroll

tax is likely to take second

now account for half govern-

tracts on arrival.

above salaries.

ment spending.

Lower loan rates lift US housing starts

By Gerard Baker in Washington

US housing starts jumped by 9.2 per cent in November from a month earlier, following declines in the previous two months, the commerce department reported yester-

ally adjusted annual rate of 1.51m, was the biggest since July 1995, and followed other recent evidence of a slight quickening in the US economic pulse towards the end

The drop in housing starts in September and October had been widely seen as evidence that the economy was losing steam after its strong growth in the first half of the year. New housing con-

struction accelerated gradu- evidence of strengthening in ally through early 1996 and hit a peak in August, before few months could force it to falling back in the autumn. But yesterday's figure suggests demand may bave

month, belped by a steep fall in mortgage rates over the last few months. The news troubled the bond market, as it came on

mittee met to discuss inter-

est rate policy.

revived somewbat last

The banchmark 30-year treasury bond fell by 🔢 sbortly after the figures were published, raising the yield to 6.68 per cent. The Fed, bowever, as

widely expected, left rates meeting, although further gain for a year.

the economy over the next tighten policy in the first half of 1997.

Regionally, the strongest increase in house building last month occurred in the Midwest, where housing starts leaped 21 per cent from a month earlier. There was also impressive growth the day the Federal in the south, while the Reserve's open markets com- north-east and the west remained flat.

Nationwide, single family housing starts rose 7.6 per ceut, while multi-family construction increased 15.1 per cent. Building permits for house construction, a useful guide to future bullding trends, increased 3.9 per cent unchanged at yesterday's in November, the largest

sumption spending was in

posable incomes.

cent range.

line with real gains in dis-

domestic product slowed from an "unsustainable" 4.7

per cent to a "healthy" 2 per

cent in the third quarter,

and the economy was expec-

ted to return to its treod

growth rate in the mid-2 per

landing of the US economy

continues," the report added

fornian economy is generat-

ing new jobs faster than in

the country as a wbole, and

employment in manufactur-

ing is growing, in contrast to

an overall decline,

"The first successful soft

Meanwhile, the local Cali-

Real growth in gross

Market crash 'would benefit US economy'

By Christopher Parkes in Los Angeles

A US stock market collapse would probably do the US economy more good than harm, according to the latest forecast from the University of California, Los Angeles.

Long-term interest rates would fall quickly, extending the rally in the bond market and setting the stage for strengthening in the construction market.

Lower mortgage costs could translate into higher bome prices, which would lessen the impact on con-sumer wealth. The chance to buy equities with better yields might even please fund managers and long-term individual inves-

"A decent collapse in the stock market would be nice right now," wrote Mr Larry Kimbell, director of the UCLA Business Forecasting Project, in the school's quarterly report. "We need a break for a change." place to financial necessity. Mr Kimbell was respond- not over-built, and real con-

ings of "irrational exuberance" from Mr Alan Creenapan, bead of the Federal Reserve, and noted the hint was a reminder "that there is no such thing as letting the air out gently" from a speculative bubble.

ing to recent gentle warn-

However, a 36 per cent stock market decline - as experienced between late August and October in 1987 would still leave the Dow Jones Industrial Average index almost 2.5 times higher than the low point

reached in that collapse. According to Mr Kimbell's report, the slow pace of the current bout of expansion suggests it could be one of the longest in recent history, exceeding the record set between 1961 and 1969.

"We do not deserve a recession since we do not have an acceleration of inflation to reverse," be wrote. There was no need for inventory corrections, the

tial construction sectors had

residential and non-residen-

In the four quarters to the end of September the state added 70,000 manufacturing jobs while the nation lost 170,000, the report said.

In the next three years, California - which accounts for 12 per cent of the US population - will create more than 15 per cent of the projected national employment increase of 6.2m.

Labour reform test for Menem

Doubts surround proposed changes, write Stephen Fidler and David Pilling

of Argentina won reelection last year after s campaign pledge to "pulverise" unemployment. Since then he bas blamed the country's rigid labour laws for keeping the jobless rate higher than it should

Yet while proposed labour law reforms now before Congress are intended to address this problem, there are strong doubts in Bnenos Aires that the proposed changes will have much sbort-term impact on the jobless total.

Unemployment has risen consistently in the 1990s, despite rapid economic growth in the early part of the decade. But it surged during last year's recession and reached, according to government figures, a peak of 18.4 per cent in May that year. This has since fallen slightly - to 17.3 per cent according to figures released at the weekend. But about 2.4m people are still out of work, three times the number in 1991.

This is damaging Mr Menem's popularity and his rating has sunk in opinion polls, which also show that joblessness is widely perceived as the country's main problem. A recent poll showed 48 per cent of people viewed unemployment as a priority, with 19 per cent seeing corruption as the greatest concern.

The labour market reforms would do three things: encourage decentralised collective bargaining; change the system for redundancy payments to create individnal worker accounts: and alter the health insurance regime to avoid what for many employers is a double payment.

The government has already decreed changes to the health insurance system that will next year introduce

resident Carlos Menem competition from private pass - but with modifica- plete labour flexibility are able to negotiate consector bealth organisations to the trade unions that run the current aystem. The other two reforms await con-

gressional approval. Mr Carlos Rodriguez, adviser to the economy ministry, argues that the labour reforms are "very impor-tant". Ha adds, bowever. that flexibility has improved significantly in recent years thanks in part to changes already made to labour laws.

tions to make them more acceptable to the party's trade union supporters. Such a compromise, which may include a transition period for some aspects of the legislation, is now said to be under negotiation with the But even if the reforms are

not watered down, their ability to ease unemployment quickly is doubted. Mr Mario Vicens of the

Argentina: Jobless total stays high



"The labour market is aconomic consultancy already completely different from what it was in the 1980s. But whatever we do to belp unamployment is important. If we have an instrument, we have to try to use it because unemploy-

However, further labour reform is tricky for Mr Menem's Peronist party, since much of the legislation dates back to the era of former president Juan Perón. According to Mr Antonio Cafiero, a Peronist senator,

the proposed reforms should

Macroeconomica says: "In the short term it would make little difference in helping bring about a fall in unemployment, a problem that's related to the level of economic activity in Argenment has to come down." The main impact of the

law over time would be to bring a greater portion of the workforce into the formal sector, he says. Indeed, the impact of the measures is expected to be limited by the size of the

already provided greater flexibility to small and medium-sized companies that generate most employment in the economy: 73 per cent of workers are employed by businesses with fewer than 50 people. These businesses

less total

increased their use of labour between 1984 and 1994, but, given low labour productivity, are likely to try to become more capital intensive as they gain access to capital during the economic recovery. This suggests they will not create many jobs as the economy grows next year, sha says.

However, she believes the collective bargaining reform would be an important change, albeit one that would benefit existing companies, some of which have labour contracts in force since the mid-1970s, rather





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الخطوط الحوية العربية السعودية

Timothy Ross on a steady increase in domestic addicts

Colombia in heroin's grip

A fter years of lucrative criminal exports, beroin addiction is turning into a domestic problem in Colombia. Long ignored, use of locally produced, high-purity heroin has reached a level which one doctor describes as "a grave public health

The government has begun to recognise the seriousness of the problem and earlier this month in Medellin sponsored the first Colombian conference on heroin

The conference was financed by the government national drugs directorate to prepare key haaltbcara workers for what is feared will soon be a new drug epi-demic. Experts from Spain, Colombia and Chile addressed more than 60 doctors, psychiatrists, social workers and therapists.

The signs of opium-related abuse have been growing rapidly over the past three

The country's first attampts at commercial oplum farming date back to 1978, when two Mexicans distributed poppy seeds to peasant farmers in Cauca and Huila departments and

Mr Carlos Lemos Simmonds, Colombia's new vice-president, said yesterday that a landmark law aimed at bankrupting the nation's billionaire drug

barons should make the US rethink its policy towards He said Colombia would reap huge benefits from the

new measure, but added that Washington should also look to its own backyard in its war against drugs.

opium gum. By 1984 locally made heroin analysed in the Bogotá toxicology clinic tested at more than 65 per cent purity and was being exported through traditional cocaine smuggling routes to the US.

Leaders of the Cali drugs cartel pioneered large-scale heroin production in a shifting alliance with leftwing guerrillas, and brought in Sicilian, Afghani and Asian heroin chemists to improve refining techniques. Recent samples have

tested at 94-96 per cent Small amounts of opium, morphine and beroin began to alip on to local markets, mostly bought by wealthy

drug users. Cases of heroin

"If the US were doing one half of what we are doing to stop production, the situation would be very different," Mr Lemos said. He was elected

vice-president in September but remains in London as mbia's envoy to Britain. Last week Colombia's

Congress approved a forfeiture law entailing the seizure of illicit gains made by drug barons over the past

dependency began to appear in the late 1980s, and in 1993 the first beroin overdose death was reported. Dr Camilo Uribe, a promi-

nent poisons expert, told the Medellin conference that in just one Bogotá public hospital there was an average of three heroin overdose cases per month

"Cocaine overdoses are steady in fifth place of all emergency room acute poisonings, but heroin overdoses, not registered three years ago, have now jumped to seventh place."

Dr Uribe said heroin, secording to patient case histories, was first given away and frequently exchanged for sexual favours. He was incensed by reports that ado-

couriers, who were then paid for their services in the merchandise. "Heroin is already a grave public health problem," said

Dr Uriba, "and must be treated as a catastrophic disease of extremely high social Dr Augusto Pérez, Colom-

bia's principal addiction expert, warned that there would be an impact on public health, as heroin inject-ing spread HIV, hepatitis B and other blood-borne diseases. Addiction also contributed to street crime. "Colombian heroin users

used to be mostly from the upper classes, who sniffed or smoked it but rarely injected But in the last year wa

have had a completely different trend, people using local beroin coming from tha lower classes, speeding a lot of money and who are interested in trying injections,"

At least 6,000 Colombians are estimated to be addicted to heroin, and Dr Pérez cal culates their numbers are increasing at such a rate that within four years Colombia will experience a full-blown outbreak of her-

Tokyo cabinet adopts economic reforms

By William Dawkins in Tokyo

The Japanese cahinet yesterday adopted an economic reform plan designed to reduce high husiness costs to the level of the country's main competitors by 2001.

The scheme, the latest in a series of deregulation packages over the past three years, envisages that state controls should be eased and an additional 7.4m jobs be created by 2010 in 15 strategic

These include information and telecommunications technology, biotechnology, aerospace and bealth and welfare.

The Ministry of International Trade and industry (Miti) is to jobs bandled by private sector ers' discontent with high domestic

co-ordinate implementation of recruitment agencies yesterday's policy framework, which includes 500 concrete reform ideas. It plans to produce a detailed work programme by the end of March, to be followed hy an annual progress review. Miti officials said 15 economic reform bills would be ready for consideration hy the next parliamentary session

The scheme calls for a reduction in energy costs to European levels, which are about 20 per cent lower. It also calls for the formation of more new businesses through a more active venture capital industry and an easing in legal constraints on the type of

in the New Year.

Senior Miti officials said the plan was the clearest sign yet of the hardening of a consensus for economic deregulation among policymakers. It follows the government's commitment lsst month to a five-year financial reform plan and its agreement partially to dismantle Nippon Telegraph and Telephone, the dominant domestic telecoms com-

The new Liberal Democratic party minority government has, contrary to rivals' expectations of continued conservatism, made economic deregulation a priority.

Business lobbies' and consum-

costs and prices were increasingly evident in the run-up to the October general election.

lt is not yet clear how far other government ministries will respond to Miti's call for action, given traditional reluctance to tolerate a cut in their own powers. Nor is it clear whether Mr Ryu-

taro Hashimoto, the prime minister, will be able to obtain opposition parties' necessary support for the busy legislative programme needed to turn the deregulation plan into reality. To complicate matters evan more. his own party remains divided on the merits of reducing government control of

the economy.

settled

Philippine Airlines (PAL),

the loss-making national

carrier, has reached agree-

ment with the country's

pilots' union, it said yester-

day. The peace deal ends a

long period of strikes and

disruption
PAL said the two sides

had "successfully negotiated

terms for their new collec-

tive bargaining agreement".

compensation, manning lev-

els on long-haul flights and

work rules "hased on the

concept of more pay for

It follows a prolonged tus-

sle hetween PAL and its

employees over pay and

staffing levels, most recently when 9,000 workers staged a "wildcat" strike shortly before Manila hosted

the Asia Pacific Economic

Co-operation (Apec) forum

On that occasion, employ-

ees returned to work only

after the airline threatened

them with summary dis-

Last week, Mr Lucio Tan,

PAL's chairman, said the airline was cutting its \$4m

expansion programme after

a labour department ruling

requiring it to give pilots an

annual 15 per cent pay rise

Mr Tan, a leading Chi-

nese-Filipino husinessman.

called the ruling "unreason-

It is not yet known

PAL, which last year lost

or the next five **vears**

able".

more work".

The agreement covers

lished wisdom, without being subjected to much critical scrutiny." said Mr Jeff Young, political analyst at Salomon Brothers Asia. "There is much political uncertainty over whether the government can implement it."

But Mr Osamu Watanabe, director-general of Miti's industrial policy bureau, which was responsible for drawing up the scheme, said there was a strong political consensus behind the package.

"Consensus building is a time-consuming process in this country. But once the consensus is built, things move fast. If there Private sector analysts remain is any delay in carrying out this

Editor, in London

yesterday.

East Asia's exports should

recover to show a growth

rate of 10-15 per cent next

year after rising hy only 5-7

per cent in 1996, Mr Michael

Walton, chief regional economist at the World Bank, said

In a short assessment of

the region's prospects. Mr

Walton said the slowdown in

growth, which featured a

sharp fall-off in exports. was

cyclical rather than struc-

tural. The bank is thus put-

ting its weight behind the

consensus view that there is

no long-term threat to

Even among countries

with the weaker perfor-

mance this year, there were

signs of strength. Thailand

had a balance of payments deficit in excess of 8 per cent

of gross domestic product,

but it had a strong fiscal

position and a high savings

Among the factors behind

this year's poor export per-

in the market for computer

chips, slower demand in the industrial world, the weaker

yen and tax shifts in China

that caused a spurt in

But things are already

improving and regional

years, slightly below the 9

per cent in the first half of

the 1990s but above the 7 per

Mr Walton said the region

faced some important chal-

lenges in provision of infra-

structure, income distribu-

tlon, labour skill

development, the environ-

ment and the development

of financial markets.

cent recorded in the 1980s.

exports in 1995.

growth in the region.

sceptical. "The consensus for plan, companies will just hypass deregulation has become estab- Japan for more competitive coun-Japan for more competitive countries," he said. The current initiative gave a clear focus to previous plecemeal efforts at deregulation - discussion has been going on for the past decade hut has rarely won political consensus - hy focusing on the promotion of emerging sectors, and cutting Mr Don Brash, governor of business costs.

Mr Hashimoto called for the lat est plan, plus a financial market reform package unveiled in government's announce-November, soon after winning the election two months ago.

Its successful implementation will depend, say observers, on whether there really is a consensus for change.

East Asian

bounce back

exports to

cautious on wider inflation target

New Zealand's central bank yesterday responded cautiously to the new coalition ment widening the bank's

inflation target Mr Brash said the broadening of the target to 0-3 per cent from 0-2 per cent was a modest change.

Under New Zealand legis lation, the central bank the Reserve Bank - is independent of the government and is obliged to maintain inflation within the guide-lines. If it falls outside the guidelines, the government can replace the bank's gov-

"We previously aimed at inflation of 1 per cent. It is now 1.5 per cent," Mr Brash said. He warned the hank would be uneasy if inflation rose to near the maximum 3 per cent allowed.

In the Reserve Bank's sixmonthly economic statement, Mr Brash said increases in imports and price increases in the housing market, plns the planned rise in the minimum wage, required the bank to continue to be cautious about the outlook.

He welcomed signs of falling inflation and indicated the economy's rate of growth was slowing.

prefer a lower exchange rate and higher interest rates to curh inflationary pressures. tion's plan to increase the minimum wage from NZ\$6.375 (US\$4.48) to NZ\$7 an hour, review the minimam wage for those under 20 years of age and possibly to increase the minimum wage to NZ\$7.50 in 1998 seemed likely to increase

Export performance bad

past 30 years. Nor would growth necessarily slow while these problems were being dealt with. East Asian governments should develop pension funds and other mechanisms for helping income distribution, leaving governments responsible only for a basic safety net.

to such challenges over the

Exports in 1997 should show growth of 10-15%

Investment in Chinese infrastructure has been running at 5 per cent of GDP. Even at this base level infrastructure investment will beln sustain economic growth.

Mr Walton said only about 10 per cent of infrastructure spending came from the private sector. That share would rise to 30 per cent over time, though in Malaysia it could run as high as 70 per cent.

The bank placed emphasis on private-sector involvement in infrastructure, but the public sector would thus growth should recover to have to do so as well. "That about 8 per cent in coming will involve the public sector in getting greater internal efficiency." he said.

varied. South Korea, Singapore. Thailand, Hong Kong and China had shown only small growth or actual falls. Better performance had come from Malaysia, Indonesia, the Philippines and Vietnam, where exports had

risen 25 per cent this year.

In his statement he emphasised the bank would

Mr Brash said the coaliunit labour costs.

As part of the coalition deal, the NZ\$1bn in cuts due to take place in July 1997 have been deferred but government spending has increased by \$1.2bn.

Mr Brash said the government's plans represented a more restrained fiscal stance than many in the market had expected was a major reason for the sharp easing in monetary conditions after announcement of the coalition.

He said the referendum on compulsory superannuation to be held in 1997 made It difficult to assess the implications of the new track, because if a compulsory scheme was put in place it would significantly offset the projected fiscal stimnlus. The referendum will be in the third quarter of 1997.

Hong Kong chief urges UK to face reality

in Hong Kong

Mr Tung Chee-hwa, the shipping tycoon selected as Hong Kong's first post-colonial governor, yesterday urged the UK and Hong Kong governments to "face reality", criticising their opposition to Beijing's plan for a new legislature for the

"It is wrong for Britain and Hong Kong to ignore the reality of the provisional legislature," he said referring to the hody which will replace the existing elected Legislative Council wheo sovereignty is transferred to China on July 1 next year.

Mr Tung's statements, his strongest oo the issue, came in his first important speech since heing selected last week as Hoog Kong's first chief executive, as the next governor will be known.

expected to meet President ister Li Peng.

The provisional legislature weekend in a meeting in Sheozhen, just across the border from Hong Kong. Its 60 members will be selected by a 400-member committee which was itself formed earlier this year by a Beijing-

appointed body. The legislature has emerged as one of the most serious obstacles to a smooth transition for Hong



many in the territory are resigned to the new hody, hut pro-democracy politicians warn that the lack of accountability.

MIT Jung Sought concerns about the legislature, arguing It would last is due to he formed this for a maximum of one year and new elections would be beld as early as possible.

the selection process. Mr Tung said: "I helieve the members of the provisional legislature will have a high

degree of credibility." The shipping tycoon also dismissed doubts about the legality of the planned body. "I helieve it is legal," he

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Kong. Opinioo polls suggest said. "In any case, even the expressed his opposition. best legal expert in Hong Kong confirmed that the question of legality can be settled once and for all by After bis speecb, be left an elected legislature will another act by the standing for Beijing, where he is undermine government committee of China's National People's Congress."

He appeared to be refer-

ring to comments made by Sir Ti Liang-yang, the former chief justice, and a rival for the top post. Mr Tung's firm stance on

Responding to critics of the provisional legislature could complicate his selection of an executive team. expected to be announced in the next few weeks.

Mrs Anson Chan, the chief secretary, is a staunch critic of the planned body, Mr Donald Tsang, the financial secretary, has also

TO SAVE THE

RAINFOREST WE

PROVIDE TREES

TO CHOP DOWN. By belping people

in the rainforest to plant trees, WWF

are working to solve some of

Where trees are chopped

down for firewood, we help plant fast

Pakistan, we supply

fast growing local pine species.

The idea behind

wisely can be used forever

Write to the Membership Officer

The chief executive-design nate said yesterday he would seek to ensure a smooth transition in the civil ser-

men, Mr Tung stressed the need to fight against corruption, one of the main concerns ahead of the handover. the degree of transparency in the decision-making process. . . ensuring money

vice, while China signalled its desire for continuity in the administration. "We in Hong Kong will maintain their position," a foreign ministry spokesman said in Beijing. In his speech to husiness-

whether the scrapping of orders for at least 27 Boeing and Airbus aircraft, an integral part of the modernisa-We must further increase tion programme considered essential to PAL's return to profitability, will go ahead. and politics do not mix." more than 2bn pesos (\$76m), Editorial Comment, Page 19 declined to comment

Thais pledge sharp cuts in spending

Thalland's new finance minister, Mr Amnuay Viravan, yesterday proposed slashing government spend-ing hy as much as Bt20bn (\$782m) in the current fiscal

The cuts were needed to make up for an expected shortfall in revenue caused by slowing economic activlty, including a sharp fall in exports, Mr Amnuay said, inveiling his economic pro-

gramme. He pledged to keep the budget in balance and hoped to maintain the Thai government's traditional hudget surplus. Projects to be cut were those of "low priority and high import content".

Some of the money saved, along with increased savings from provident funds early next year, could be injected into the money market to create the right climate for lowering interest rates, Mr Amnuay added. High interest rates, now around 13 per cent, are partly to hlame for Thailand's economic slow-

He forecast growth of 7-7.5 per cent for the next three vears, inflation at 5 per cent next year, and export growth of 7-10 per cent in 1997 and more than 10 per cent subsequently. He predicted a fall in the current account deficit next year to 7.5 per cent Observer, Page 19

of gross domestic product, against 8.2 per cent this

This improvement would bolster investor confidence, with enhanced foreign funds easing tight liquidity. Measures to deal with the ailing property sector, and a ball-out of the Bangkok Bank of Commerce (BBoC), should also help. The government yesterday

announced it would absorb np to Bt85hn in bad and doubtful debts from the BBoC and, hy March, auction 51 per cent of the bank which tt took over earlier this year.

The sale was likely to yield abont Bt54bn, Mr Amnuay said, and the government would be able to get back more through loan recovery and s sale of collat-

On the property sector, Mr Amnuay was less specific, saying that an easing of tight liquidity would belp reduce property company interest burdens. He said the government

would extend payment terms for property company creditors, introduce measures to stimulate housing demand and push for a revised securitisation law to provide a new funding alternative for property developers.

A proposal to let foreigners own land and huildings will also he put forward.

CONTRACTS & TENDERS

Invitation to tender

This invitation to tender fallows the needs of SPT TELECOM, a.s. (hereinafter SPTT) for the provision of Copper cable accessories through the following individual tenders:

1. Heat shrinkable closures

2. Closures for buried and conduit cahles

3. Closures for aerial cables

4. Crimpable connectors 5. Insulation displacement contact modules

6. Distribution boxes SPTT now invites the Czech manufacturers of the above required goods or foreign manufacturers of the above required goods which have their direct local

representations in the territory of the Czech Republic and which are authorised by the manufacturer to represent the manufacturer in this matter in the territory of the Czech Republic, to apply for the individual tenders at SPTT's fax No. (+42 2) 691 90 07 by 6 January 1997 at the latest. A bidder's application must be evidenced by a copy of the document confirming their fulfilment of the aforesaid requirement (eg by the copy of extract from the business records or by the suthorisation from the competent

The applicants fulfilling the aforesaid requirement will be then invited by SPTT to purchase the Bidding Documents which will be prepared in Czech language only. The Bidding Documents may be purchased probably in January-February 1997.

2) The applicants will obtain the Bidding Documents upon payment of s non refundable fee of 10 000 CZK for each Bidding Document for each individual tender. The applicants fulfilling the aforesaid requirement will be informed of a method and a number of bank account for the remittances in common with an invitation to the purchasing of the Bidding Documents.

3) The Bidding Documents will be made available oo presentation of the receipt for payment to SPTT at the address below:

SPT TELECOM, a.s. Mr. Vlastimil Necas - Manager of Procurement Department

CZ-130 00 Praha 3, Czech Republic fax No. (+42 2) 691 90 07 4) The deadline for the submission of bids will be 3 weeks after the noted date for

the purchasing of the Bidding Documents.

All bids must be accompanied by a Bid security in the amount and currency stated in the Bidding Documents.

مكناهن الأحل

FINANCIAL TIMES WEDNESDAY DECEMBER 18 1996

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Section 1

Strasbourg judges uphold former chairman's complaint about trial fairness

Ex-Guinness chief wins rights appeal

Mr Ernest Saunders, the iailed for theft and false accounting after the company's 1986 takeover of Distill-Human Rights ruled yester-

decided by a majority of 16 to four that aspects of his trial in 1989 were "a remarksble departure from one of the basic principles of fair procedure". They were referring to the use by the prose-cution of incriminating answers given by him under compulsion from inspectors from the UK government's Department of Trade and

But the judges rejected his claim for £4.6m (\$7.6m) compensation and refused to

refused to speculate whether be would have been acquitted if the incriminating tranformer Guinness chairman scripts had not been used. lts finding that his trial amounted to a breach of the European Convention on ers, did not receive a fair Human Rights was not to be trial, the European Court of taken to suggest that, it

Mr Saunders's spplication The Strasbourg judges for £340,000 costs was reduced to £75,000, which the UK government was ordered to pay. Mr Saunders was convicted of frand - along with Heron chairman Mr Gerald Ronson, stockbroker Mr Anthony Parnes and financier Mr Jack Lyons – over their roles in an illegal share support operation during the Distillers takeover. His five-year centence was halved on appeal and he was later released prematurely



Meeting the press: Mr Saunders told reporters he had been subjected to an unfair process

into farce. Mr Devlin said Mr

London after the court decision, Mr Saunders said that he would have been acquitted if the DTI inspectors' evidence not been used.

Having read out a quick statement in which he alluded to his subjection to "an unfair and politically managed procees", be handed proceedings over to Mr Georga Devlin, his "human rights consultant". Questions were all fielded hy Mr Devlin, and the con-

ference rapidly descended

Saunders had not expected to receive compensation and it was "not an issue". The doctor who had diagnosed him as having Alzheimer's. leading to his early release from prison, had admitted publicly that be had got it wrong, be said. Asked repeatedly whether

he was "a crook" or whether he now regarded himself as innocent. Mr Saunders managed: "Well, I do ...", before

conference to an shrupt end amid chaotic scenes The DTI said it would study the Strasbourg decision. It joined the Serious

turned to what Mr Saunders was now doing to earn a liv-

ing, Mr Devlin brought the

Fraud Office in pointing out that Mr Saunders's conviction had siready been reviewed and upheld twice by the Court of Appeal.

Editorial Comment, Page 19

N Sea exploration bids to be liberalised

Environment Correspondent

The UK government yesterday proposed liberalising its system for licensing North Sea oil and gas exploration and development rights in an effort to speed up the exploitation of remaining reserves.

Lord Fraser, the energy minister. nominate any parts of the remaining North Sea fields they wanted to develop. The government could then allocate the blocks after reviewing

nies are invited to bid. Lord Fraser said the proposal, from companies. aimed to make the UK's licensing system more flexible. Officials said was also better suited to the use of new exploration technology in mature North Sea fields,

"We're pleased with the co-operation across the industry which said companies should be allowed to led to the proposal and we're plessed with the announcement, said Shell, one of the groups which proposed the change,

Analysts said the proposal was in response to the fact that the most sttractive North Sea reserves had

already been snapped up in previous

This is saying "this is a bit fallow but if you are interested come and bid for it", said one analyst. He added that the move would "probably attract smaller companies who might otherwise be frightened of being outbid by bigger companies".

If the proposal is approved during

consultations over the next few months, officials plan a "very tight timetable" under which companies would submit their proposals under the new system by November next

Lord Fraser said the plan would

identify and address "potential sen-sitivities or conflicts of interest with other sea users". This included possible clashes with the fishing industry, environmentalists and military units which used the sea for exer-

The proposals do not affect the 17th bidding round currently under way. The government also proposed to allow US-style cash auctions for reserves in certain circumstances for instance, when work programmes proposed by different oil companies were likely to be identi-

Cabinet paper dashes | Degree standards last Eurosceptic hopes arouse concern

By Robert Peston, Political Editor

A cabinet briefing paper on European economic and monetary union, which has been sent to senior ministers, dashes any residual Eurosceptic bopes that the prime minister will abandon his "wait and see" approach to the project.

"It completely underpins everything that the prime cabinet paper, which was minister and the [chief written by the Treasury, will finance minister]have been come as a blow to Mr Michsaving, that there will be no acl Howard, the home secreopportunity to take a firm tary. He asked for it to be view on whether or not to join a single currency until after the general election," said a minister.

The cabinet is to meet tic case. tomorrow and is expected to give the final seal of the prime minister could approval to retaining the make plain to the electorate option to join the currency. In a separate helpful devel- of monetary union for the opment for Mr Major, there next five years on the basis are indications that several that the convergence

public battle for a firm pollcy of opposition to Emu. They include Mr John Redwood, who challenged Mr Major for the Conservative Norman Lamont, who was

the post of chief finance min-But the conclusions of the prepared during a cabinet discussion of Emu two weeks ago in the hope that it

would further the Euroscep-

Mr Howard argued that that sterling would stay out

leading Eurosceptic back- criteria are not being by Nicholas Timmins, benchers are ceasing their strictly enforced by EU coun-

senior ministers hoped that the paper would provide Mr John Major with the ecoparty leadership, and Mr nomic underpinnings for such an anti-Emu campaign. dismissed by Mr Major from By basing their argument on the durability of monetary union, they felt there was a chance it would not be opposed by the pro-European chief finance minister Mr

Kenneth Clarke. However, the paper "blows up Howard's case", said a minister.

It makes clear that no judgment can be made on whether countries are joining the currency on the basis of "fndged" criteria until March or April of 1998 - at least nine months after the last possible date for the general election.

Mr Howard and other Some British universities are trusting more to luck than rigorous procedures in ensuring that degrees which they "franchise" to other atries remain up to standard, the Higher Education Quality Council said yester-

Variations in bow well

quality assurance programmes are implemented are raising suspicions about the quality of British higher education which, if not corrected, could have a serious longer-term effect on earnings, the council warned. A pilot study of 20 links between 15 British universities and franchisees in Spain, Greece, Singapore, Malaysia and Hong Kong showed that some degree certificates did not make clear that the degree had not

drama degree awarded by the University of Kent in Spain - do not make clear that the degree is taught and awarded in a language other than English, a failing the council says "might mis-

In another case involving the University of Strathclyde in Scotland, papers provided for a non-Greek speaking external examiner were for a time translated by one of the students on the course. Mr Peter Williams, the

council's director of quality. said that the overall results of the audit showed that students ontside Britain appeared to be getting a fair deal, and there was a "serious regard for quality and standards". There remained, however,

"little room for complacency" with "a lot of vari-

Ministers ease curb on trade with Iraq

By Jimmy Burns in London

For the first time since the Iraqi invasion of Kuwait six years ago, the British goveroment is encouraging UK companies to step up their ties with Baghdad.

The government's Department of Trade and Industry has scrapped a requirement under which a company needed to obtain a special licence to discuss contracts needed by Iraq for "essential civilian supplies and pipeline

The DTI has faced increasing pressure from UK companies who argued that the licensing regime was putting them at a commercial disadvantage to other European companies allowed by their governments to talk more directly with the lraqis in apparent breach of the spirit of the sanctions regime.

The DTI has now issued businesses with an "open general licence" to negotiate contracts with Iraq under a range of goods approved by the United Nations. Broadly classified as "humanitarian" future contracte conld involve water treatment. electrical power plants, the oil industry, medicines and

The DTI had to overcome objections from the Foreign Office. Officials there argued against relaxing the restrictions as the UK is a strong public supporter, alongside the US, of continued sanc-

tions against Iraq In practice, there is nothing stopping a company from using contacts with the Iragis to discuss contracts prohibited under the UN anctions regime, according to UK officials. The UK government has relaxed its own rules following approval this month of the UN's oil-forfood operation.

DTI officials, who have carefully examined a docu-ment detailing which goods are acceptable undar the plan, believe the possibility exists for some significant contracts interrupted when Iraq invaded Kuwait.

Mr Ron Hollis, a director with the Committee for Middle East Trade, a business lobby group which backs improved trade links with Iraq, said yesterday: "The DTI's move should make it easier for UK the red tape."

It emerged yesterday that in anticipation of its move, the DTI this month approved a visit to two Baghdad trade fairs of a delegation of British companies.

The visit, the latest in a series of delegations arranged secretly by non-governmental groups over the last two years, was organised under the suspices of Orient Exhibitions, a UK registered public relations company.

Yesterday the DTI and Orient said they could not disclose the names of the companies as they did not have their permission.

UK NEWS DIGEST.

Barings report hits at bank

Mr Eddie George, governor of the Bank of England (the UK central bank), "failed to allay" concerns about the lack of co-operation between different UK and Singapore authorities over the collapse of the Barings merchant bank, the House of Commons Treasury committee said vesterday.

It said in a long-awaited report on the collapse that there were "very evident" difficulties in getting the Bank of England and the Singapore Monetary Authority to share information. The committee said the Bank of England should pay more attention to rumours in financial markets when supervising day to day activity in the UK banking system. The Bank "must pay attention to the realities of commercial activities and market behaviour

if it is to be an effective supervisor. The Bank of England said last night: "The report identifies some of the dilemmas that face regulators and we welcome it as a constructive contribution to the dehate." The report acknowledges that a "new culture of super-

rision" has emerged at the Bank in the wake of the debacle – but adds that "we are concerned that the laudable aims which the Bank currently outlines may . . . fall by the wayside".

■ INSURANCE

Lloyd's market capacity rises

Lloyd's of London insurance syndicetes will be able to accept up to £300m (\$492m) more in premium income next year than they were allowed to write in 1996, in spite of a lide in rates worldwide. The insurance market's alloted 'capacity" next year will be £10.3bn, with corporate investors increasing the proportion they supply to 44 per cent from 30 per cent.

In September Lloyd'e completed a plan to reinsure more than £8bn of old losses into a new company called Equitas after the vast majority of its traditional investors, individuals called Names, accepted a compensation offer worth \$3.2bn. The number of Names has declined from peak levels of 34,000 in the late 1980s and is to fall further next year to just under 10,000 from 12,800 in 1996. Analysts were concerned that the increase in capacity at a time when insurance rates have been falling might result in some underwriters chasing business at less profitable

■ SPORT FUNDING ·

National stadium to be in London

The government pledged £200m (\$328m) of National Lottery funding to English sport yesterday when it . announced that the new national stadium would be sited at Wembley, in north-west London. Some of the money will help finance another big stadium in the northern city

The government-backed Sports Council said £120m would be available towards the estimated £220m cost of converting the existing Wembley Stadium - which has served as the national stadium on a de facto basis for more than 70 years - into a high-tech 80,000-seat venue.

A further £60m would help construct a 60,000 capacity stadium in east Manchester that would host the Common wealth Games in 2002. Another £20m could be made available for a new swimming and diving complex in the city. The Sports Council chose Wembley primarily because it would give London a better chance of attracting the

world's top sporting events. Manchester has twice failed with bids to host the Olympics, but plans are already under way for London to bid to bost the 2001 World Athletics Championship and the 2006 World Cup. London may also bid for the rights to stage the Olympics in 2008. Patrick Harverson

■ CAR SALES

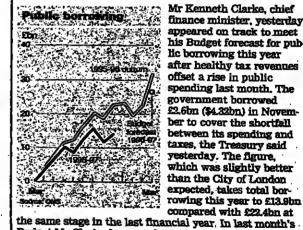
Licence plate change is urged

The UK motor industry is to press for an alternative registration plate system to the current yearly identifier introduced each August. Scrapping the system would also save the industry "hundreds of millions" of pounds a year in unnecessary costs, the Society of Motor Manufacturers. and Traders said yesterday as it welcomed a Department of Transport consultation document setting out ways of flattening the annual new car sales "bulge".

The current system was introduced nearly 30 years ago to help smooth the yearly sales pattern which at the time peaked sharply in January. Now August accounts for a quarter of annual sales and July only 2 per cent. The cost to manufacturers, importers and dealers is estimated at more than £200m a year in disrupted cashflow and extra

■ PUBLIC BORROWING

Total on track to meet forecast



Mr Kenneth Clarke, chief his Budget forecast for plic borrowing this year his Budget forecast for pubafter healthy tax revenues offset a rise in public spending last month. The government borrowed £2.6bn (\$4.32bn) in November to cover the shortfall

between its spending and taxes, the Treasury said yesterday. The figure, which was slightly better which was slightly better than the City of London expected, takes total borrowing this year to £13.9bn

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William Freeze

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Budget Mr Clarke forecast the total public sector borrow ing requirement in 1996-97 would be £26.4bn. The figures confirmed that the strong pick-up in economic growth is improving the government's finances as it boosts the flow of taxes paid by companies and consumers. In the year to November, tax receipts were 7.3 per cent higher than at the same stage last year. Corporate tax receipts in particular are running ahead of forecast. Graham Bowley

Glaxo and SmithKline Beecham may have to look outside the UK for well-trained graduates entific affairs at Glaxo Wellcome. Yet there is a nagging doubt in The big cause for concern is the

Manpower worries haunt drug companies

lenninm has hegun. Of course, pharmaceutical scientists the manpower - or, more accudo not talk of "wonder drugs". That promises too much. cure-all, the elusive elixir of life. But the big drug companies are looking to manufacture medicines to tackle cancer, heart disease and little bugs like enterococcus faecium, recently found to feed on the antibiotics designed to kill it.

British-based drug companies such as Glaxo Wellcome, Smith-Kline Beecham and Zeneca are world beaters. Last year, with exports totalling £4.94bn (\$8.21bn), they were the UK's second higgest earner behind North Sea oil.

der drugs of the next mil- the minds of some drug company executives that they will not have rately, the brain power - to sustain a competitive challenge.

> process, taking top graduates from government, and one which leaves mer research director of Wellcome,

SmithKline Beecham is already piloting an alternative recruitment

It is a warning to the British university professors with nightmares of an exodus of research funding. As Mr Trevor Jones, forpnts it: "The pharmaceutical industry needs the best trained graduates, and if it can't get them in Britain, it will look elsewhere."

supposed declining quality of the UK's science graduates. But Dr Robin Fears, director of science policy at SmithKline Beecham, says: "The brightest graduates are as good as they ever were." With starting salaries of £17,000 (\$27.900) - well above the average - the drug companies can still attract the best.

However, Sir Richard Sykes, chief executive of Glaxo Wellcome. told a Confederation of British Industry conference last month that many graduates lacked the experience of "basic analytical tools and instruments required for

Dr Michael Elves, director of sci-

says: "In laboratories, many are, to say the least, ill at ease. We've even had pharmacologists who have never dissected an animal." The companies bave to spend time and money teaching gradnates what they see as basic skills sometimes for up to a year. Mr Fears claims this is "an unacceptable subsidy to the system".

Glaxo, SmithKline and the others are careful not to accuse the graduates or the universities and instead blame the government for failing to invest in the scientific infrastructure. Capital cnts of £107m in 1995 were only modestly structure. equipment fund this year.

"Most UK graduates are trained on equipment one can also find in the Science Museum," says Dr George Poste, director of research at SmithKline Beecham. Even Britain's top international universities still have laboratories largely built or refurbished in the 1950s and 1960s. Vice-chancellors estimate that

minimum investment of around £474m over the next five years will be needed just to update essential research equipment. The big companies refuse to do what they see as the government's job by investing heavily in university infra-

FT at Christmas. It would be a crime to miss it.

Simon Targett

One of London's oldest banks is about to go under. Shouldn't you get involved?

'Collateral Damage' starts on Saturday, December 21.

On December 21, the Financial Times begins an exclusive five-part serialisation of a new thriller by Peter Tasker, the acclaimed mystery writer. Follow the clues as the story weaves a complex and intriguing web across several continents, and guess at the final twist in the tale.

Readers will be invited to pit their wits against the author to better his final line and win a hand-picked FT hamper. The

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INFORMATION TECHNOLOGY



ter deal after Christmas?"

obsolescence is an inevitable result of the fast pace of

Moreover, the PC that

sells for \$2,000 (£1,200) today

probably will be offered for

\$1.500 in just a few mooths

time. By then, the \$2,000

price tag will be sitting oo a

little, it is the performance of PCs that is changing.

the latest technology, the

home PC is now a two-yearly purchase. Once you

jump oo the technology

treadmill, figure oo spend-

ing \$1,000 a year oo PC

The "buy now or wait"

decisioo is. bowever, espe-

cially tricky this Christmas.

There are several advances

on the borizon that will

make a PC look old hat eveo

Early oext year, for exam-ple, Intel will launch new

'MMX" versions of the Peo-

tium microprocessor with

enhanced multimedia per-

formance, If you are think-

ing of upgrading to a higher performance PC, this may

be worth waiting for. On the

other band, software that

takes advantage of MMX

will appear only gradually and Intel plans to offer

upgrades later next year.

Also due soon is a new

hardware alone.

faster than usual.

faster machine. Prices vary

advances in computers.

Eagle Eye · Louise Kehoe

A tricky decision

There are advances on the horizon that will make a PC bought this Christmas look old hat even faster than usual

packages, but there is no agree. The technology to set Tis the season when friends and colleagues call for "advice" oo purchasing a bome computer. "How do I Looming large is the launch of the Digital Video know that the PC I huy today woo't be out of date in a year's time?" they ask.

Disk drive, with huge storage capacity. I suspect, how-Or. "Prices seem to be fallever, that it will be a long time before DVD supplants ing. Should I wait for a betthe CD-Rom drive in the I explain that buying a PC home computer market. is not like any other electronics purchase. Rapid

On balance, if you are making your first home PC purchase or are replacing a home PC more than two years old, this is as good a time to buy as any. Otherwise, you may be happier if you wait a few months.

Predictions for 1997. Eagle Eye readers came up with some intriguing thoughts The ugly truth is that if about the future of IT. As you want to keep up with multimedia PCs are deployed in offices, headphones may become stan-dard attire, Phil Henry suggests. Since I already wear a telephone headset much of the time, this conjures up the image of some sort of combo-headphones with the sound from the PC going in one ear and the phone the

other. Is this a new definition of multitasking? Jeremy Davies expects low-cost service on the Internet will give way to a tiered service, with those who pay extra getting faster more reliable service. I

I would expect to see several Internet service providers offering both 'economy class' and

version of Microsoft's Windows that will manage hard 'business class' disk drive space more efficiently. If you have filled up travel by the end your hard drive and struggled with the existing Winof next year dows 95 data compression system, this is what you need. Microsoft typically

word, to date, on when this priorities on Internet traffic will be available. priorities on Internet traffic is close to deployment. 1 would expect to see several Internet services offering both "economy class" and "business class" travel by the end of next year.

Several readers predicted that TV cable Internet services and enhancements to the telephone natwork would help to alleviate congestion on the Internat. Yet to impose censorship is limif new applications such as ited in countries with comthe Internet video telephona technology just launched by Intel and Microsoft take off, demand for bandwidth may continue to outpace infrastructure upgrades.

I was dalighted to receive several e-mails from readers in India this month, and curious about the preponderance of messages from that part of the world. All became clear when I got an e-mail from the chairman of the Indian Internet service who distributed a copy of the last Eagle Eye column to his customers, lt was coincidental, of course, that in Geneva about protecting copyright on the Internet at meeting of the World Intellectual Property Organ-

Firewalls are generally deployed to keep the bad guys out, ensuring the security of private computer networks. Yet the same technology can be used to pot bad content out of reach of a network's users, In China, where the gov-

ernment controls all Intercensorship system, Deborah hands of the public". We Triant, president and chief will see. executive of the US arm of Check Point Software Technologies, tells me: "They are building a digital Great Wall of China."

company which has its second home in Silicon Valley, is more accustomed to being on the side of crimefighters. The use of its technology to enforce censorship raises moral dilemmas, Triant

China is not alone in attempting to block access to undesirable Websites, but the ability of governments mercial Internet service providers - the digital equivalent of a free press.

It could never happen here, you might think. I am not so sure. Service providers may be coerced into setting up firewall filters if they are held liable for criminal activity on their systems. With the US Supreme Court set to review the issue of pornography on the internet, will it be long before providers

offer smut-free services? Even if they want to keep out of blocking certain Websites, they may have little choice. The draft international treaty under discussion by the World Intellechis message should arrive tual Property Organisation just as talks got under way would hold Internet services and telephone companies liable for copyright infringements by their customers.

Technologies created for benign purposes can often he turned to ill. A oew example: LittleBrother. developed by Kansmen, a California company, that purports to expose "office slackers' lnappropriate Internet use" by tracking their Internet activities. It boasts its product "takes the joh of monitoring cybernet connections, firewalls space away from Blg are being used to build a Brother and puts it into the

> Join the Eagle Eye discussion group at www.ft.com or e-mail Louise Kehoe at lkeboe@ix.netcom.com

> > :

Wearable computers · Victoria Griffith

Prêt à portables

Getting dressed may soon involve donning a computer

olding a conver-sation with Thad Starner, pioneer "wearable' computers, is a hit disconcerting.

The young researcher peers out from a pair of clear plastic laboratory glasses. A black box sits over one eye. giving him the appearance of a digital pirate. The box acts like a miniature computer screen, displaying images and text on the lens.

In one hand be holds a miniature keyboard with nine buttons. By pressing the keys in various combinations. Starner can "type into the machine. A black shoolder bag contains the rest of the apparatus: some chips, a wireless modem and a 31b battery to keep the whole thing going.

"I know it looks a little weird, hut people get used to lt," says Starner, stroking his goatee.

Starner should know. As lead researcher in the Massachusetts Institute of Technology Media Laboratory's project in wearable computers, be has been lugging this contraptioo around for four years. Now he is convinced that with a few minor design changes, and the commitment of a large manufacturer, wearable computers will be ready for the mass market

Others are starting to think so as well. The Media Lab has asked for help from designers in New York, Paris and Milan, and is scheduling a fashion show to demonstrate the results next year. Gaultier is toying with the idea of a chip and batterystudded belt. Gucci is trying to come up with a better looking shoulder bag, and

• The FT's review of :

Information Technology

Vednesday of each month

appears on the first

"The computers basically take the place of instruction manuals," says Len Bass, a professor at Carnegie Mellon who is advising Boeing on Information Technology the project. "These people work in tight spaces. They cannot consult a manual or a desktop whenever they

Nike, which helps fund the Media Lab project, is insert-

ing computer capability into

its tennis sboes. The ugly

hlack box over the eye will

be placed closer to the ear,

with mirrors to project

images directly on to the

In much the same way

that the Sony Walkman

transformed the stereo into a

portable entertainment cen-

tre a decade ago, miniaturisation is the eoahling faa-

ture of wearable computer

A wearable can do every-

thing a laptop can: connect

to the Internet, and provide word processing, calculation

and data storage capability.

champion of wearables. Car-

negie Mellon University and

the University of Washing-

too are exploring their use

to improve joh performance.

Tha Veterans Administra-

tion in Washington DC is

testing the devices as aids for the disabled. Boeing, the

aerospace company, and the

UK construction group BICC

have equipped mechanics

with wearable computers to

find out if they can enhance

Starner is not the only

glasses' lens.

technology.

heads. This could be a solu-While Starner champions

wearables for the masses, Bass believes the devices may not be ready for nonindustrial applications for some time. All wearables In use today cost thousands, often tens of thousands, of pounds to produce, making them too expensive for most consumers. Yet once the devices are produced in hulk, the cost is expected to plummet. "We are hoping we

When other people are standing around wasting time, I'm working'

can have these things made for \$1,000 (£610) or less, but that is not yet certain," says Boeing.

A more fundamental ques-

tion is wby people would want to use a wearable computer. For a boost in efficiency and IQ," says Starner. His life has been transformed: "When other people are standing around wasting time, I'm working," he says. "I read my e-mail when I'm walking to the men's room. All those businessmen can't wait to get into the aaroplane so they can turn on their laptops. Not me. I'm writing my thesis when I'm standing in the line to get my boarding t

has also helped in his social life. "My friends use me as an information source," he explains, "The other night, we were driving around town at 11pm looking for a place to have dinner. I just call up the information on the Internet and say 'Hey, we can go to the Brew

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Moon'. Starner's goals are hardly modest. He says he is out to raise the IQ of the planet. The results of the Boeing and BICC experiments should give some indication of whether a boost in efficiency is possible. Gaining public acceptance for the concept, however, is another matter.

Some people will probably find the idea of no downtime frightening. If work can be done anywhere, people may feel under pressure to work everywhere. Then again, wearable computers may be the next logical step in technological advances that have brought us the cellular telephone and home

"I think there is still a question whether this will be accepted, but then why not?" says Bass. "If you had told me 20 years ago that people would walk around with stereo beadphones on their ears, I'd have said you were crazy. But you see the portable story everywhere. Maybe one day, we'll all be wearing our computers."

Starner says his wearable day in next week's paper.



David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

> In this, the sixth year of the prize, the theme is: "Home Truths from Abroad": A policy idea from outside the UK for the next British Prime Minister. The 1997 prize will be worth not less than £3,000.

Applicants, aged over 21, of any nationality, should submit a typed entry of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme further. Please keep David Thomas's interests in mind when writing both the entry and the proposal.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 5 1997

APPLICATIONS TO: ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES (Dept DTP) Number One Southwark Bridge LONDON SE1 9HL

Making a date with the euro Software producers will gain

L But it is hard to ke

all the information in their

most from the date change in 2000 and the advent of the euro, says Nicholas Denton he costs of adjusting millennium seemed far

computer systems to cope with the two problems of the millenium date change and European monetary union are at least well researched, if not yet clear. Every research company worth its salt has counted the number of lines changed and ventured its estimates. For every bank which has

to change its accounting systems to cater for deposits in more than one currency, there is a beneficiary amo the software companies which are so assiduously raising the alarm among their clients.

A new research paper by BZW, the UK investment bank, has picked some of The new millennium

problem is the more widely feared - it is the 20th century executive's very own millenarian apocalypse: about 76 per cent of UK IT managers rate the problem as potentially critical or

The challenge is a simple one. Much mainframe computer software was written in the 1960s and 1970s when the new

away and storage space was tight. The date fields - tha space in which dates were input - allowed the entry of only the last two digits of the year. Even now in 1996 some cash registers reject credit cards expiring in 00 because the number is interpreted as the year 1900

Some research companies such as Gartner Group, have forecast that it will cost \$1 to change each line of programming code and up to \$600bn (£365.8bn) worldwide in total. BZW's more sauguine estimate is \$15.7bn for Europe, of which about half will come from existing budgets, and \$52bn

worldwide. But BZW believes banks and other companies will need to make big programming changes to deal with the outgoing national currency and tha new euro during the transition period leading up to full monetary union.

The euro will become a powerful currency even in countries outside its ambit, forcing them too to adapt their computer systems. BZW puts the cost of adjustment at \$25.3bn in

Europe. Together, the two



items represent about eight months of normal IT spending by European companies.

Outside software companies will receive much of this windfall. While about 35 per cent of projects are normally outsourced. BZW says that outside companies are responsible for about 40 per cent of work on the millennium problem and for about 50 per cent of preparation for the advent of the euro.

The investment bank estimates that the two projects will over the next four years add between 5 and 10 percentage points to software companies' 15 per cent sales growth. And software companies, taking advantage of strong demand, are expected to

hike fees ahead of their own fast-growing wage cos The main winners will be those software companies which have developed special tools to examine and modify the computer

Among them, BZW singles out Cap Gemini SA, part of the computer software and services group. Net sales growth over the five years is expected to be 26 per cent higher and net profits more than double. BZW also recommends Cap Gemini NV, the Dutch arm of the group, Logica of the UK, and the soon to be merged Sligos and Axime. But investors have already missed out on much of the revaluation. Cap Gemini SA's share price has almost doubled since the beginning of the year.

Retailers risk a late opening

commerce, especially in the US, are proliferating almost as fast as the Internet itself. The latest food for thought comes from AT&T, Andrew Baxter writes.

A study of attitudes among US consumers and more purchases online next executives of companies sellconsumers' willingness to tives questioned believe that net.

orecasts about the embrace the benefits of elective Internet is a very imporgrowth of electronic tropic commerce. Retailers. it seems, need to consider the implications for the bricks-and-mortar decisions they are making today.

According to the study. almost 40 per cent of consumers say they will make year, and 55 per cent will do

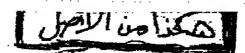
tant vehicle for selling their products today, and only 33 per cent say it will be very important within five

More than 12m PC users in the US have already used online services to make a purchase, yet 15 per cent of executives say they are very ing primarily to them pro-vides further evidence of only 17 per cent of the execu-are not ready" for the inter-

Almost half the executives say their companies do not have a presence on the World Wide Web, and do not expect to have one within five years. Of those companies with Web pages, only 11 per cent report updating

The survey, Taking Off: the State of Electronic Commerce in America, was conducted for AT&T by Odys-

them daily.



FINANCIAL TIMES SURVEY

Wednesday December 18 1996

Norway

After a difficult start, the new prime minister is drawing up plans for sustaining prosperity when oil revenues start to decline, writes Hugh Carnegy

Constructing the Norwegian house

When Mrs Gro Harlem ment, Mr Röd-Larsen had cent this year, is enjoying e Brundtland stepped down as been turned from hero to villoway'e prime minister in lain and was forced to resign upswing which has driven late October after dominating the country's political scene for more than a decade, transfer of power to ber successor, Mr Thorbjörn Jagland, was carefully planned to be smooth and uneventful, causing no wavee of controversy to upset the ruling Labour

But within weeks, Mr Jagland was plunged into stormy waters as a row exploded over allegations of improper ehare dealings by the star appointment to his new cabinet, Mr Terje Rod-

This week has brought another blow with a second minister, Ms Grete Faremo, stepping down from the oil and energy brief because of alleged ahuse of power by the national intelligence service during ber previous job as justice minister

Mr Rod-Larsen, who won international acclaim for his peace mediation efforts between Israel and the Palestinians, was brought home from the Gaza Strip by Mr Jagland amid great fanfare to be planning minister.

Leaving his role as special UN envoy in the Middle East, he was to play a key role in building "the Norwegian house" for the next century when the country will face a decline of the North Sea oil riches that in recent years have made it one of Europe's most prosperous

e with the em

as allegations of wrongdoing - which he etrennously denied - piled up against him concerning a lucrative share option deal he was

involved in a decade ago. Mr Jagland, far from enjoying a honeymoon, instead endured an embar-rassing scandal that shook his minority administration almost before its members had sat at their desks.

The prime minister quickly appointed a replacement planning minister, Mr Bendik Rugaas, the former head of the national library. Now he will be hoping that he can at last get on with moulding the government in his own image after the preeminence of Mrs Brundtland. Mr Jagland, 47, was the

uncontested successor to Mrs Brundtland when she decided to retire. A career party man, he had been chairman of the Labour party for 4 years, since Mrs Brundtland gave up the formal party leadership to concentrate on the prime minis-try. She stepped down a year in advance of the next general election to give Mr Jagland and the party plenty of time to prepare without her. Although he has a reputa-

tion for being to the left of the pragmatic, centrist Mrs Brundtland, Mr Jagland has promised to stick to the cautious fiscal policy espoused by her government.

Mr Jagland has the great advantage of taking over as Barely a month after the the economy, which is set to

down total unemployment to just over 5 per cent of the Workforce, its lowest point since 1988. The chief worry of Mr Jens Stoltenberg, the new finance minister, is that the economy is in danger of

As the end of the century epproaches, Norway is cashing in as never before on its petroleum riches. Pumping more than 3m barrels per day - three times the level a decade ago - the country has become the world's biggest exporter after Sandi Arabia. Combined with high world oil prices, the impact on the state treasury has been impressive: net cash flow this year will top NKr70bn and is forecast to rise above NKr77bn next year.

The result is the government has eliminated its debts and is now running a big budget surplus. Norway. were it e member of the European Union, would qualify for European monetary union with room to spare. This year, the govern-ment will pour NKr46bn into its Petroleum Fund, to be invested abroad to convert today's surplus oil wealth into financial assets for use in the future. By the end of the year 2000, there should be NKr270bn in the fund ~ equivalent to more than 20 per cent of today's gross

domestic product. Norway is vulnerable to any downturn in oil prices. There is also a contrary danger that the strength of the



Oil pletform in the North See: the "Norweglan house" of old, which stands in need of refurbishment over the next de

value of the krone, overheat the domestic economy and erode the fragila competitiveness of the non-oil sector. The government says it is well aware of these risks and is determined not to be

caught out. Externally, the outlook for Mr Jagland is less comfortable, but hardly alarming. Norway has had to adjust to life on the fringes since the decision in a referendum two years ago to stay out of the EU - a decision Mr Jagland, like Mrs Brundtland, had

But fears expressed by the pro-EU camp of Norway being left isolated have not to date been realised. Indeed. Norway has been allowed to become a de facto member of the EU's Schengen agreement on open horders to help it preserve its open border regime with neighbouring Finland and Sweden, which joined the EU when the Norwegians voted to stay out

Norway has most of the economic and trade advantages of EU membership through the European Economic Area accord. It is, of formation of the new govern- grow by more than 5 per oil sector will drive up the course, excluded from deci- population will equally

eion-making hodies, a fact that EU supporters in Nor-way still believe will work to Oslo's long-term disadvantage. But the government works hard at making sure

its voice is heard. "I have never really met a closed door when trying to discuss issues with colleagues in the EU. I just have to travel a lot," says Mr Björn Tore Godal, the foreign minister.

Another advantage has accrued to Oslo through the re-emergence of Nato as the entral security organisation in Europe. Norwey is a founder member of Nato, It feared that security and defence policy would shift to the EU in the post-Cold War era, but is relieved that this has not occurred. "Nato is where it happens," says Mr Godal, with evident satisfac-

Mr Jagland's chief concern is to use Norway's current wealth to prepare for a more uncertain future - hence his project to build Det Norske Hus, Early in the new century, oil revenues are forecast to start to decline sharply, while the ageing

sharply increase the state's pension commitments. There is a real question mark over whether the non-oil economy will then be able to support Norway'a generous welfare system - to which the Labour party is deeply com-

The prime minister has

built his government - not withstanding the fall of Mr Rod-Larsen - with this in mind. The intention is to draw up long-term plans for "the Norwegian house" and to work hard to communicate the necessity of the task to a public inclined to oil-induced complacency. His appointment as justice minister of Ms Anne Holt, a well-known author of gritty detective novels featuring a lesbian Oslo police investigator, was one example of Mr

Det Norske Hus is to be founded on four pillars: a robust, private-sector onshore economy; an efficient welfare system; investment in culture, science and education; and Norway's

Jagland's effort to make gov-

ernment and politics more

accessible to a cynical elec-

torate.

"It is an overall strategy for the development of Norway's welfare society," says Mr Stoltenberg. But there is a clear signal from Labour that this can only be built on a thriving private sector onshore. "We need a strong competitive private sector because we have to be prepared for a time when oil

production will decline." says the finance minister. This strategy will form the core of Labour's campaign for the general election next September, Aside from the "feel good" factor emanating from the economy, which is expected to continue healthy growth next year, Mr Jagland starts that campaign with a further big advantage in the form of the fragmentation of the opposition par-

So divided are the Conservative and Centre parties, which traditionally form the core partnership of any non-Labour coalition, that Mr Jagland appears to have every prospect of sailing through the gap to election victory. In which case, he will have a further four years to put his vision of Det Norske Hus into practice.

Politics

Labour wins from feud

The largest party holds the rest at bay in the land of coalitions, reports **Hugh Carnegy**

With less than a year to go until the next general election, Norway'e two main opposition parties are at daggers drawn. The chief beneficiary looks set to be Mr Thorbjörn Jagland, the new prime minister, and his rul-

ing Labour party. The Centre party and the Conservative party are for-mer partners in centre-right government coalitions: a new alternative governmen to Labour - the country's single biggest party - looks out of the question unless they can co-operate.

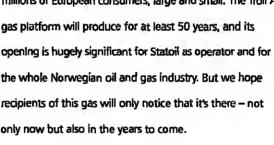
But the two have been bitter enemies since a deep split over European policy caused the collapse of the last non-Labour coalition in 1990. The Conservatives strongly backed Norway's bid to join the European Union while the Centre party, which is rooted in the farming community, led the snccessful campaign to reject membership in a referendum in November 1994.

The expectation was that, after the referendum, which effectively removed the EU question from the political agenda for some time to come, the two groups would move closer once more. But under Mrs Anne Enger Lahnstein, its popular leader, the Centre party has staked out a policy position often to the left of Labour which has instead reinforced the differences with the Conservatives.

"It is a problem. So long as the Centre Party ottacks Labour from the left, it will he extremely difficult to

Continued on Page II

Gas began flowing in October from Norway's Troll field to millions of European consumers, large and small. The Troll A gas platform will produce for at least 50 years, and its opening is hugely significant for Statoil as operator and for the whole Norwegian oil and gas industry. But we hope recipients of this gas will only notice that it's there - not only now but also in the years to come.





The Troll A platform wi provide the bulk of Norwegian gas deliveries far into the next century.

Turn on the gas - and we'll see it's there.



Whether it's used to boil a kettle or run an industrial plant, we'll ensure that Troll gas is there. We are committed to stable delivery of high-quality natural gas. Several large pipelines running directly from the North Sea to receiving stations in continental Europe mean we're confident of achieving this very demanding goal. Within a few years, Norwegian supplies will be accounting for a significant share of European gas demand. As much as a third of French and Germen consumption is due to be met from this source. Troll will provide the bulk of these deliveries far into the

next century - which is also being hailed as the age of gas. That's both because natural gas can replace less environment-friendly energy forms, and because it's already available.

The taps are open.

O STATOIL

Den norske stats oljeselskap a.s.

Government Petroleum Fund: by Hugh Carnegy

anning for a rainy day

future.

The scale of the surpluses raises severe problems over where to invest them

It is the kind of problem most finance ministers and central bankers only get to dream about. What to do with billions of dollars left to balance and this, comover when all government spending is taken care of?

Yet that is exactly what piling up in the Petroleum Norway has to deal with Fund. because of the huge flow of funds from its North Sea oil and gas production. The answer Oslo has come up with is called the Petroleum

The Petroleum Fund operates along very simple lines. All state income from oil and gas is channelled into the fund. The government uses the fund to finance the gap between state spending and other, conventional state omy.

over is used for investment oil wealth now would result Opposition parties have for the future benefit of the in real exchange rate appreaugued for increased spendnation.

After the system was set was in recession, there was, initially, no surplus in the Petroleum Fund because of the size of the budget deficit at the time. But since 1995, the underlying stata finances have swung closer bined with strong oil prices, has produced a hefty surplus

The surplus has posed the question of how Norway can best maka use of its oil and gas riches. Both public and private sector economists tend to describe the Petroleum Fund as a book-keeping operation - but one with a very important principle: to ensure the money is not wasted on inefficient spending which could ultimately distort and weaken the econ-

"Spending too much of our

clation and it would cause a building-down of our non-oil up in 1990, when Norway tradeable economy to levels which would not sustain us when the oil revenues decline," says Mr Martin Skancke, daputy director general at the finance ministry. "We regard the Petroleum Fund as a mechanism to transform the oil wealth

> "The challenge is to use the fund to transfer wealth from one generation to another - and to make this transparent," says Mr Jarle Bergo, deputy governor of the Bank of Norway. "It's a way to embarrass the politicians into showing how they are spending the money." The first critical question

into financial assets for the

to decide is at what level to pitch the underlying budget deficit. The non-oil hudget deficit for next year has been set at NKr22bn, or 2 per cent of gross domestic product.

ing, but the government sidising "national chaminsists there is no room for a pion" industries. looser fiscal stance without the risk of overheating the economy.

ment has eliminated any debt overhang from the past. The result is that in 1997, the net surplus added to the Petroleum Fund will he NKr55.4bn - on top of NKr46hn this year and NKr2bn in 1995. By the year 2000, the government now allel with Norway's scale of D-Mark, the Swedish krona, anticipates the fund will accumulated dividends.

money. Pumping any of it back into Norway - or Norwegian

assets - has been ruled out. Funding infrastructural development over and above effects on the economy the

government is determined to avoid. So, too, would sub-The fund will therefore be

used to invest in forsign assets. The Bank of Norway Meanwhile, the govern- has been put in charge of the operation.

Tha hank has looked around the world for examples to follow in planning an has not found too much to help it.

In Europe, there is no par-

reach NKr270bn, including aimilarly surplus-rich nations are to be found The second hig question, among the Gulf Arab states then, is where to invest the or in the Far East where Norwegian officials say s culture of secrecy has meant not much information has been forthcoming.

The initial guidelines from the finance ministry dictate what is already being spent that, in the first instance, within the conventional budget would risk the distorting invested in low-risk instruments - mainly government to get higher yields - and

Government not londing (NKrbn)

- Department of the property 63.8

investment strategy - hut bonds, weighted towards the combined with fixed-rate currencies in which Norway has its biggest import demands. That means the sterling, the US dollar and the yan will figure promi-

nently. But the fund is growing so rapidly that it will shortly want to move into higher risk securities as well - chiefly equities. Although the government is clearly nervous of this, Mr Bergo suggests a move beyond bonds is on the agenda.

"Historically, the inclusion of equities makes it possible

instruments you can still have stability. In fact, certain combinations of bonds and equities might actually reduce volatility," Mr Bergo says.

Investing in equities raises issues other than just the question of risk. The fund is so large that investing in equities could lead to it taking on a significant ownership position in individual companies that the Bank of Norway would be reluctant to shoulder.

Mr Bergo says this could be avoided, however, hy buy-ing "synthetic" squity tries can only envy.

instruments which were based on equity prices, but not actually direct investments in any particular com-

Whatever the instruments, the intention is that the fund should provide a way of ensuring Norway'a oil wealth is stretched wall beyond the years in which the black stuff is actually being lifted from under the sea. With, like other European countries, a big state pension bill looming early in tha next century, it should prove a valuable cushion for the future which other coun-

Labour wins from feud

Continued from Page I form a united front against the government," says Mr Jan Petersen, the Conserva tive leader. He says it is already clear there will be no rapprochement with Centre before the election next on power. But its policies

The likeliest scenario for for any potential alternative the election now is that the coalition government. main battle will be for second place between the Conservatives and Centre.

1993, the Centre party rode a refusal to seek a reconciliawave of anti-EU feeling to vault over the Conservatives as the second largest party, taking 32 of the 165 seats. The Conservatives, who took less than 20 per cent of the vote, slipped to 38 seats.

strength by four seats to 67 - well short of a majority, but the fragmentation of the opposition allowed it to continue in power.

facing the Conservatives and that it is a question of a Centre is a recent wave of popularity for the Progress party under is telegenic leader, Mr Carl Hagen. With a sharp anti-immigrant tone, it has been attracting voters have made it a taboo partner

Mrs Lahnstein, who is sharply critical of neo-liberal, free market economic At the last election, in policies, is unabashed in her tion with the Conservatives. Instead, she is courting the Christian Democrats and the tiny Liberal party in the hope of forming a potential alternative minority governminority governments in Norway. The question is whether we have a small minority government or a big minority government,"

Labour or a Conservative-led group. Wa have to give the electorate an alternative to both left and right."

The only real winner from the opposition splits will be Labour. With the EU issue defused as Centre's most popular election attraction, it has slipped in the polls and seems set to lose seats next year. But the Conservatives, undermined by snpport growing for the Progress party, is struggling to climb over the 20 per cent barrier again.

Labour, meanwhile, has been made to look less comfortable as a result of the decision by energy and oil minister. Ms Grete Faremo. vote, slipped to 28 seats. ment that could take over to step down, following the Labour increased its from Labour. "We have earlier resignation by planning minister Mr Terye Röd Larsen. Nevertheless, few in Norway will be betting against Mr Jagland forming the next government Adding to the problems she says. "We can't accept afterthe general election.



fish-farming industry, which

has grown to hecome an

important part of the

counted for NKr7bn in value,

Thorbjörn Jagland: prime minister Brundtland's uncontested successor

■ Fishing: by Hugh Camegy

Second to oil, but still a vital industry

Fish processing and a better relationship with the EU are keys to the future

There is no country in Europe to which the fishing industry is more important

than it is to Norway. Since the rise of the North Sea oil industry, fishing has slipped in its economic significance to the nation. Fish and fish products account for 8 per cent of exports, compared with almost 50 per cent accounted for by oil and gas. Metals and machinery exports are each now worth more than fish exports.

But the fishing industry remains both a vital part of the economy and an integral part of Norway's political and social culture. Although only 11th in the world. Norway, with 2.5m tonnes a year, is the higgest catcher

of fish in Europe. Two years ago, the perceived threat to Oslo's control of the country's fishing tion estimates that 15 per

ship of the European Union. In the future, when oil and gas reserves start to run out, fishing should once again assume its traditional position as a vital - and sustain-

able - natural resource. The political significance of the fishing industry has much to do with its historical role as the chief source of income and livelihood for far-flung coastal communities, to which many Norwegians still have close generational ties.

Today, although the numhers of fishermen have declined from 40,000 in the 1970s to less than 24,000, fishing is still a core source of employment in the north and an onportant element in sustaining population levels in the remote Arctle and

sub-Arctic regions. The industry is swelled by more than 12,000 employed in fish processing and approaching 5,000 now working in fish farming. The Norwegian Fishermen's Associa-

CONNECTUM

grounds was a critical factor cent of all paid employment in the vote to reject membering in the north of Norway is directly connected to the industry.

> But the fish sector faces a number of difficult political and commercial challenges if it is to secure a path of rising output. Most fundamental of all is the issue of fish stocks. Like other fishing grounds around the world. the once plentiful stocks of fish in Norwegian waters have in recent decades come under threat, chiefly from overfishing. In the 1980s, Norway's total catch slumped from some 3m tonnes a year to less than

Since then, there has been a recovery. In the Barents Sea area, where Norway and Russia control the main fishing areas, cod stocks have been replenished to a substantial degree since they collapsed in the 1980s. Next year, the joint Norwegian-Russian quota for the Barents fisheries has been sed to 850,000 tonnes of cod from 700,000 tonnes this year. In 1989, it was 160,000 tonnes, all of which ras fished by mid-April.

1.6m tonnes in 1990.

Mr Karl Eirik Schjött-Pedersen, the newly-appointed fisheries minister, puts the recovery down to the efforts made jointly with the Rus-sians to curb overfishing and allow cod stocks to recover. "We are facing a much better resource situation in the Barents Sea because of a policy of responsible management," he says. "We have taken the principle of sustainable use of resources and put it into practice. We say - never again, April 1989."

The outlook is not so good litself in conflict with the EIJ further south in the North over its highly-developed Sea, however, where Norway is involved in an uneasy relationship with the EU over fishing practices. "We nation's fish sector. Last are somewhat afraid that year, farmed fish - mainly our friends in the EU don't salmon and trout - acgive enough weight to the principle of sustainable out of the total catch of development," says Mr

almost NKrl5bn. Schiött-Pedersen. But the EU, prompted by Norway argues that fish-farmers in Scotland and demersal species - mainly Ireland, is investigating

Fishing NK million Thousand tonnes Value of catch 2,500 7,500 2,000 3,000 Fermed fish 1983 85 87 89 91 93 95

cod and haddock - are being charges that Norway is overfished because quotas are too high and because EU regulations allow fishermen to catch and discard many fish of species over their quota limits which are netted while fishing for species not yet fished up to quota levels. Oalo also says EU quotas for herring and mackerel in the North Sea are too high. What it wants to see are lower quotas and other measures such as a halt to fishing in sensitive areas and refined nets to ensure breeding stocks are rebuilt.

guilty of subsidising its industry against EU rules and of dumping salmon on European markets at below production price. The European Commission is expected to imposa a minimum import price as a counter-

83 85 87 89 91 93 95

Norway is the higgest European producer, expected to farm almost 300,000 tonnes of salmon this year, compared with 80,000 tonnes in Scotland. But Mr Schjött-Pedersen argues that Norway has simply become more efficient than other

producers, by cutting disease and increasing productivity. Nevertheless, Oslo has imposed restrictions on feed levels and cage capacity to curb output in a bid to assuage EU suspicions. As a non-EU member, Norway is

clearly vulnerable to actions

against it by Brussels. In the

long-term, it will have to smooth relations if the increasingly important fishfarming sector is to enjoy stabla growth. No less important to the future of the Norwegian fish-

ing industry as a whole is the health of the processing

Norway has tended to ship mainly unprocessed, or minimally processed fish, leaving most of the added-value processing to food manufacturers in countries like Denmark. Fer exampla, only NKrl.1bn of the NKr7bn in farmed fish exported last yaar was processed as smoked salmon or other value-added products.

Unlike the fishermen, the ocessers were mostly anxlous to join the EU in order to secure full access to EU markets and increase their opportunities to axpand. They already struggle with the geography of the country which works against an efficient concentration of processing plants. Despite the anti-EU vote.

however, the industry has seen a trend of rising investment in recent years and some consolidation which should enhance efficiency. That is badly needed if Norway is to gain maximum try.

Growing in the shadow

PROFILE SOME

Future growth in demand lies in the arrival of digital television transmission

Sweden's Ericsson and Nokia of Finland are the Nordic telecoms giants - but Bergen-based Nera is one of several telecoms equipment manufacturers in the region, fast developing significant world markets of their own in the shadow of the big

Like Ericsson and Nokia; Nera's strength is in mobile telecommunications. But it has developed two key product niches which cater. to special demands: one is microwave transmission equipment for both fixed and mobile telecoms networks; and the second is phones that have allowed news correspondents to file reports from even the remotest spot in Africa.

The company was spun off from ABB, the Swiss-Swedish engineering group, in January last year in a public offering. It quickly became the largest technology stock on the Onlo bourse and a listing on Nasdaq the New York over the counter market. followed in June. This year. Nera shares have climbed 25 per cent, trading at the time of writing around . NKr260, giving the company a market

capitalisation of NKr3.4bn Sales growth has been a good deal less eye-catching this year than the share or price rise. After turndyer of NKr2.4bn m'1995, sales were up just 5 per cent by the first nine months over the same period a year ago. at NKr1.8bn. Profits before tax in the first three quarters were down 7 per cent at NRr90.8m. But Mr Asbjörn Birkelund, chief executive, says the relatively slow

progress this year was due to heavy research and development spending and internal restructuring. He nomits to an increase in operating margins, before research and development costs, to 14.6 per cent in the first three quarters from 13.7 per cent a year ago as evidence of the true promise of Nera. "Overali. we expect to grow faster than the market average of 10 to 15 per cent sales growth," he says.

Nera's biggest operations are in microwave

both fixed and mobile networks to provide a wireless link, particularly in areas of difficult or remote geography. Sales in the first nine months grew-26 per cent to NEr741m. New orders were up 50 per cent. A boost has come through deregulation of

telecom networks which has expanded the customer base by the entry of new operators - and increased demand for microwave systems which can be more. quickly and more cheaply: installed than cable or fibre networks.

Although microwave links do not have the vast capacity of fibre-optic links, Nera is spending heavily to develop higher capacity transmission by its systems. Increasingly fibre and microwave can be networks. Mr Birkeland says. He sees demand growth in the arrival of digital television transmission and the

possibility of using microwave links to connect end-users to broadband multi-media networks." Nera's other main business is fur satellite phones A leading worldwide producer, Nera was drawn into the bushiess through its. longstanding position as a .. supplier of communications links to the shipping industry. Marine . communications are still an important sector to Nera - but today the media, mining companies, police and military and even the

banking industry are growing users of satellite phones Unlike conventional cellular. mobile phones, which rely on local radio links to work, a satellite phone can be booked up in any open pace where it can lock on

to a satellite signal. The Teach of satellite phones is almost limitless tintil recently, the bulk and weight of the phones was a big hindrance. But Nera'a latest model, with its satellite dish built into the lid of the carrying case

weighs just 2.4kg compared with 9kg for the smallest model three years ago. Ners predicts the ight will be down to 400gms by 2002. To date the ance of the eatellity phone division has been

Hugh Carnegy



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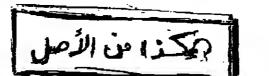
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NORWAY III

■ Oil: by Robert Corzine

New exploration in foreign waters

Liberalisation could increase competition and sweep aside the stable market

The internationalisation of the Norwegian oil industry was much in evidence in the past year, with both Statoil. the state-owned energy company, and Saga, Norway's largest independent explorer, making foreign corporate acquisitions.

Although the exploration potential of Norwsy is far from exhausted, the two acquisitions mark a turningpoint in the development of the Norwegian industry. They confirm that Norwegian oil companies believe they must expand to new areas in order to remain competitive. And they suggest that further acquisitions, particularly by Statoil, can be expected.

Statoil started the trend by intervening successfully in the bostile bid for Aran Energy, a small Irish ration acreage in the frontier explorer, by Arco of the US. areas of the Atlantic margin Aran'a interests in the new exploration areas west of the the company's share in prod-Shetland Islands in the UK and off the west coast of existing assets in the Ireland were the main Norwegian sector of the attractions, according to North Sea. Statoil executives. Mr Harald Norvik, Statoil's president, sion of Norwegian compasaid the acquisition was "an nies, bowever, does not herabsolutely perfect training ald a fall off in domestic

demanding, and, at the same ible" reserves have been estitime, small enough to be mated by the government at the end of the decade, with absorbed into the Statoil 23.7bn barrels, including natgroup without straining ural gas condensate, a natu-

■ Economy: by Hugh Carnegy

Petroleum sector

		1994	1995	1996"	1997*	1997
Assumptions:						Oil price sensitivity
Crode of once. No per ber			108	134	125	10
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Cricia of		150 7	NAME OF THE PARTY OF	185	**194	THE SECTION OF THE SE
Natural gas		27	-28	. 36	41	•
		1	The state of	200		
NKrbn						
Export yarden	10.22	10005	1184	1613	164.3	120
Accrued taxes and royalities		28.4	29.3	41.2	. 37.9	5.6
Paid twee and royalines		26		- 334	426	8.0
Net cash flow		25.6	- 38.5	71.2	· 77.6	7.9
'Estimates'	121111					

blocks in current producing

areas. Some of these are

expected to be brought into

production using existing

infrastructure on fields

which are declining. In addi-

tion, the North See oil indus-

try has exhibited an ability

in recent years to hring

smaller satellite fields into

production in ever sborter

timeframes. The IEA study concludes that such develop-

ments could add another

100,000b/d-200,000 b/d to its

But it also notes that

smaller-than-expected

increases are also possible

due to more rapid declines in

forecast output by 2000.

management resources. Saga followed up in December with a successful \$1.23bn bid for Santa Fe, the North Sea exploration and production company owned by the Kuwait Petroleum Corporation. Again, the logic behind the sequisition was similar to that put forward hy Statoil. Santa Fe'a explowas a big attraction, as was

ucing fields close to Saga's

The international expanground" for the company. production. Norway's origi-lt was big enough to be nal, "economically producproduction. Norway'a origi-

rally occurring gasoline. Of rels was produced between 1971 and 1975, according to tha Ministry of Industry and Energy.

Recent estimates suggest that Norwegian oil prodoction in 1996 will be around 3.14bn barrels a day, an increase of 870,000 b/d above 1995. Wood Mackenzie, the Edinburgh-based oil industry consultants, believe Norway will see another aurge in output in 1997, when it expects to see production rise by around six per cent.

A recent forecast from the International Energy Agency, which monitors world oil markets on behalf of the western industrialised countries, predicted that Norwegian oil production will continue to grow until peak output of 3.71m b/d likely to be reached in 2000.

The IEA forecast, however, largest, Gullfaks, Ekolisk that figure about 8.5bn ber- does not take into account and Oseberg. It also notes almost a dozen offshore prosthat Norway could run into pects which have already ing its gas sales into contibeen named. Nor does it include 75 other, unnamed nental Europe. prospects in exploration

This year the giant Troll gas field, western Europe's largest, was commissioned. It forms the centrepiece of Norway's gas marketing plans. The uncertainty alluded to by the IEA is mainly centred on the impact of possible gas market liberalisation in the European Union. At present. most EU states have monopoly, national gas companies, which have negotiated large, long-term contracts with leading gas exporters such as Norway, Russia and Algeria.

But the stable market conditions that have characterised the sector for the past big, mature fields such as 20 years could be swept Statfjord, the North Sea's away by increasing competi-

Budget and Government Petroleum Fund (NKrbn)

alisation. Russia, Norway's main competitor, has ambitious plans to expand aggresgively in Europe, with the attraction of cheaper gas being one of its competitive advantages. Although its main onshore fields are in remote areas, Russia's large reserve base makes the marginal cost of increasing gas exports very low. Norway, on the other hand, would have to invest in more costly offshore developments if a full-scale price war erupted in Europe. Norway did receive some

tion brought about by liber-

good news on the gas front earlier this year when the UK government signalled the question of what to do with the Frigg gas pipeline that connects Norwegian gas fields with the UK. Norway has seen its share of the UK gas market dwindle from more than a quarter in the mid 1990s to an insignificant three per cent or so cur-rently. This is due to UK government efforts to encourage domestic production and its failure to respond to Oslo's calls for the repegotiation of the treaty which limits Norwegian sales to gas from the Frigg field.

But the UK government helieves that its recent de facto ban on new Norwegian imports clasbes with its goal of liberalisation. It bas indicated to North Sea producers that over the medium term Norwegian gas exports are likely to resume, although the exact timing is still

1997

PROFILE

Statoil



An awkward position

Expansion abroad poses problems of structure and interests

Statoil, Norway's state oil and gas company, is at an awkward stage of development. Created less than 25 years ago to ensure that Norway's oil boom produced industrial as well as financial benefits, it has often borne the brunt of jibes and downright derision from some of the world's older, more established oil majors.

Oslo's policy - now ended – of giving Statoil a stake in all the country's oil and gas fields bas propelled it to its current status as one of the world's biggest petroleum exporters, with net profits

in 1995 of NKr5.3bn. Critics conteod that it has simply not had time to build the technical and management skills needed for such a large operation. and especially one with international ambitions. Although most of its activities will remain focused oo the Norwegian continental shelf for some years to come, Statoil wants to carve out s long-term role as a leading international energy company with interests in a number of areas.

The company currently ranks as one of the world's largest traders of crude oil and refined products. Its long-term goal is to diversify its production base beyond Norway to the point where a third of its output will be from international sources within 10 years.

Statoil now sees itself as a Scandinavian utility, trading and providing energy in a number of forms, including electricity. Statoil has to define the Nordic energy market as Norvik, Statoil's chief

Some bave questioned

whether Statoil's nationalised status gives It an advantage over other energy groups. Mr Norvik contends that its national ownership does not shield it from the competitive pressures faced by publicly-quoted oil majors. The only market where we don't compete is in the equity market," he notes

At present, Mr Norvik sees no reason to "recommend a chance of ownership" for Statoil. He says the relationship between the company and the state has "matured." in recent years.

He also believes the extreme nationalism which characterised earlier debate about the company's future has receded. "There is no longer an ideological or old-fashioned political debate about Statoil."

But although Mr Norvik believes that "from a business point of view there is no need to change," he can see circumstances when it may be useful to alter the company's status. If Statoil's international expansion required a large infusion of new capital, then the government has said: "You are free to raise the issue of how you should raise that capital."

Even if politics do not affect the day-to-day running of Statoil, government policies could have an impact on bow the company expands. particularly in the developing world. Last year, for example, many concern about Statoil's operations in Nigeria in the aftermath of the execution of minority rights campaigner Ken Saro-Wiwa and nine of his followers.

Mr Norvik believes Statoil should not be a vehicle to promote Oslo's foreign policy, but adds: "It would not be wise to be in too many politically difficult places."

Robert Corzine

Growingin the shadow

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Care Service

Outlook is the envy of others

To prevent overheating, structural problems have to be faced

When Mr Jens Stoltenberg, inflation around 2 per cent. Norway's newly-appointed described for the economy European country could

Thanks to the bounty of has enjoyed since the 1970s, growth in gross domestic product, after topping 5 per cent this year, is set next year to remain a healthy 3.1 per cent, according to finance ministry projections.

. . . .

ployment down below the Inflation is likely to rise

from 1.25 per cent this year to 2.5 per cent in 1997 - but mainly due to one-off factors, leaving underlying The state's finances are

blooming. The government his revised 1997 budget last has been a net lender since month the outlook he 1994; the current account surplus is forecast to rise from Nkr78bn this year to NKr82bn next year - more than 8 per cent of GDP.

The budget will be in sur-North Sea oil that the nation plus to the tune of almost NKr46bn and the surplus will rise above NKr54bn in 1997 - all to be invested abroad in the Petroleum Fund set up to store up wealth for the future.

Yet Mr Stoltenberg, moved Employment will continue to to the finance ministry from expand, pushing total unem- the energy department in

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October by Mr Thorbjörn level of 5.3 per cent it fell to Jagland, the new prime minister, was far from triumphant as he revealed these

The warning lamps are on." he declared. His chief worry was that the economy is in danger of overheating - threatening an inflationary surge and an eventual slump such as hit the economy after similar upturns in the mid-1970s and 1980s. Soaring new car sales

- the main symptom of fastrising private consumption - strong wage increases and shortages of labour in some areas of the economy were among the worrying signs Mr Stoltenberg cited. "It went wrong in 1976, it went wrong in 1966. It must not go wrong in 1996," he said.

The preventive medicine administered by the Labour government is to continue a tough fiscal stance taken over the past two years - despite a clamour from opposition parties to, in effect, use the oil riches to fund more spending or cuts in the tax

Stoltenberg conceded soma vent the economy from over-NKr2hn in extra spending, beating mainly on the public health sector, over the original 1997 proposals - but balanced this dependence. The chief reaby slicing NKr2.5bn off son why the state's coffers expenditure in other areas are so replete at present is and adding NKr1bn in addi- the strength of the oil price tional taxes to restrict public which swelled the state's net consumption. He and Mr cash flow from oil to Jagland are also looking to NKr71bn this year. Were oil the trade unions - which are prices to fall, the effects closely linked to the ruling would be swift and damagtrend which saw wages rise by 4 per cent this year.

difficulties has been a trend of upward pressure on tha krone. The government wants to resist this to avoid hitting the competitiveness

Total reserves. 372 \$ 402.2 Bourness such petroleum activities 322.2 341.8 bourness of excless mention factoring. 1985.7 287.4 429.0 Other revenues 58.4 54.4 Pleasonas from periodelini additions 58.4 54.4 Pleasonas from periodelini additions 58.2 58.4 Considerations 58.4 58.4 Considerations 58.8 58.3 388.4 Considerations of goods and services 58.8 58.8 Considerations of periodelini additions 58.8 58.8 Considerations training 50.00 58.8 58.7 Periodelini Turici 58.7 Periodelini Turici 58.5 71.2 Non-following surprises 58.5 71.2 Non-following surprises 58.5 58.5 58.5 + Transfer from the Government Petroleum Fund: 36.5 25.5 22.2 - Facult for the surples + Not transfer to the Covernment Petroleum Fund: 2.0 45.7 55.4 - Description the Covernment Petroleum Fund: 8.0 8.7 2.8 - Total surplus facult budget and Government: 8.0 8.0 2.8

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tural challenges - when

North Sea revenues start to

decline bacause reserves

decade of the new century.

What makes the prospect all

the more dsunting is the

fact, that at the same time,

the ageing profile of the pop-

ulstion will cause s steep

rise in the state's pension

That is now expected to

begin to run out.

rates last month in s bid to hold down the currency - but lower interest rates in turn could fuel more sctivity in the domestic

Many European finance start happening in the first ministers would love to have such a problems to grapple with But even oil-rich Norwsy does have structural economic challenges beyond In his revised budget, Mr the short-term need to pre-

The first stems from the very size of Norway's oil Labour party - to curb a ing. That is one of the reasons wby the government has been so determined to Adding to Mr Stoltenberg's salt away as much oil revenue as possibla now in the Petroleum Fund to create a buffer against the day when the income falls.

todsy. The question is whether structural reforms are needed to strengthen the onshore economy. A striking feature of the

ments rising to some 4 per cent of GDP by the year Income from the Petroleum Fund should help to fill this gap. But the non-oil, or onshore economy will also bave to shoulder the burden in s way it does not have to

Norwegian economy is the large size of the public sec-The Petroleum Fund is tor - in common with other of Norwegian industry. Tha also a tool designed to belp Scandinavian countries. It is

Bank of Norway cut interest Norway cope with what will close to Sweden in having 30 be its greatest of all struc- per cent of its employed tor - compared with a west European average of less than 20 per cent. Of the 100,000 jobs created since 1990, 80,000 have come in the public sector. Meanwhile, the numbers employed in industry are below the average - 15 per cent of those employed against almost 20 per cent in western Europe

as a whole.

lisbilities. A ministry of The Labour government has made building up tha finance projection shows tha gap between net oll casb private sector one of the pillars of "the Norwegian house" Mr Jagland has set flow and pension commitout to build for the new century. "One reason for that project is that we know we need s strong, competitive private sector - because we have to be prepared for a time when oil production will decrease," said Mr Stoltenherg. A key strategy to ensure that has been to bold down public spending growth below the level of growth in GDP. The government boasts that this has belped produce a 50 per cent rise in the volume of manufacturing output since 1989.

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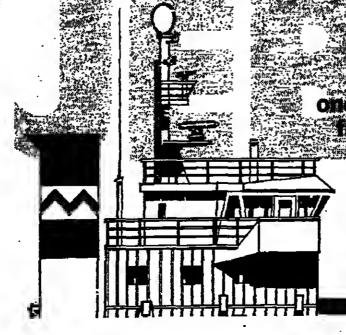
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No need for oil here

It is small and for short journeys, and faces considerable competition

Norway's prosperity owes a big debt to the internal combustion engine, as the world's ever-growing fleet of cars fuels demand for petrol from the country's North Sea oil reserves. But a company based in the outskirts of Oslo is working hard to perfect a vehicle that uses no petrol at all.

Pivco's CityBee is an electrically-powered two-seater car that aims to ciaim a niche in the global car market for short-range urban driving.

There is no tradition of car making in Norway, But the CityBee has already made its mark in the highly competitive race to produce effective electric vehicles that can offer a clean car of

In 1995, the CityBee was voted the Scandinavian Electric Car of the Year in a rally of 28 prototypes from producers that included motor industry glants such as Toyota, Ford and

Renault. This year, the Bay Area Rapid Transit (Bart) subway railway system in San Francisco bought 40 CityBees in a pioneering contract to offer Bart users cheap, clean road links from subway stations to their offices. The Norwegian Post Office is testing CityBees with a view to using them routinely for urban delivery



The CityBee: a purpose-built electric car for urban driving, almed at the global market

year that it was ready to move to commercial production of the CityBee. It is working with the British specialist car company Lotus to finalise all the road-going features of the vehicle and plans have been laid for production lines to Norway and California with the capacity to make more

than 10,000 CityBees a year. The CityBee was first conceived after the 1973 of shock by Mr Lars Ringdal, a Norwegian businessman who has since died, but whose family still controls

40 per cent of Pivco. The idea to produce an electric car independent of oil was not original. But Pivco, incorporated in 1991, differs from other companies working to

adviser to Zurich Insurance

concentrated on the technology of batteries and electrical motors, which it buys in from outside. Its emphasis has been on developing the concept of what the electrical car

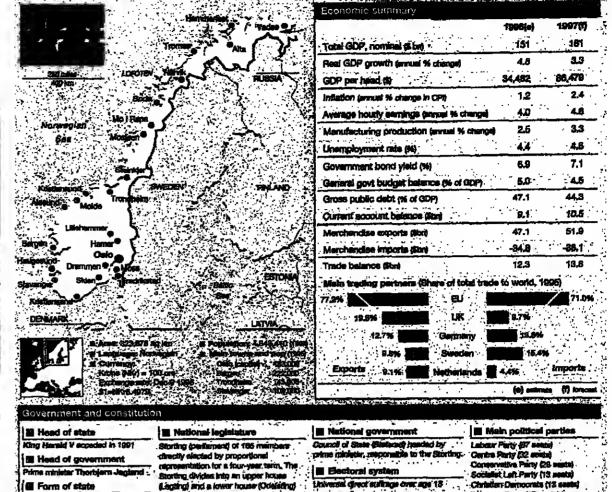
should be. "Almost all cars today can be converted to electrical power, but it is very expensive and not efficient," says Mr Rolf Gulbrandsen. Pivco's chief executive. "What we have focused on is the concept - and the design of the car. Our goal is that the car should be sold at a price that is just as cheap as a regular car, with very low running costs."

The CityBee is not meant to be an all-purpose car, capable of carrying five long distances. It is very small, only 2.8m long and

1.5m wide, and is intended to be used for short journeys within cities - for personal transport or delivery work. Mr Gulbrandsen says the

"driving force" behind the CityBee concept is the poliution caused by normal cars. He argues that most nergy wasters. He points out that 70 per cent of all cars in western Europe are used in urban areas, averaging just 40km a day at an average speed of 25km per hour and carrying less

than two people per journey. The CityBee may only have a range of 110km between battery recharges and a top speed of 90km per hour. But this falls well within the profile of most recharging costs about NKr5 - much less than the



cost of petrol to drive a normal car 110km - and the car is emission-free.

Based on the constitution of 1814

E Legal system

Pivco has laid heavy stress on the design of the vehicle as well. It uses an aluminium "space frame" on to which a one-piece thermoplastic body is fitted. The result, the company claims, is a car that meets the most rigorous safety

 but can be almost completely recycled. At the same time, the number of parts used to build a

> with around 5,000 in a regular small car. The CityBee is up against formidable connetition. General Motors of the US, the world's biggest car maker, has introduced its EV1 two-seater electric car this year. Toyota has built a 4-wheel drive electric car: and Honda a minivan. Mercedes intends to produce

an electric version of its

'Smart" car it is developing

Key aconomic projections

CityBee is 500, compared

with Swatch, the Swiss watch maker. But Mr Gulbrandsen is

National elections

undeterred. "At a show in Japan in October there were 34 electric cars on display. But most were copies of all-purpose cars." he says. We intend to be different." Pivco has enjoyed financial backing from s

Norwegian industrial mpanies, including Statoil, the big oil group, and Olso Energy, the city utility, as well as some institutional investors, It has to date invested NKr100m in developing the CityBee. As it moves to start large-scale production, the real test of whether the vehicle can find a place in the car market is about to

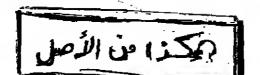
Mr Gulbrandsen says that when commercial sales industrial partners to help it with marketing and distribution. But he doubts he will seek out a traditional car maker for help. They, after all, are the

Hugh Carnegy



Making it happen in Norway.





ARTS

Television/Christopher Dunkley

Violence put in perspective

around us might begin to make sense once we have persuaded the British government to renounce violence as its chosen means of getting its way in international conflicts. (Saddam'a people being bolshie in the Guif? Send a gunboat! Blast 'em to kingdom come!) Blaming television may seem a reasonable idea on the day that Britons relinquish their beltef that teachers should be allowed to hit children with sticks as a means of coercion. (No discipline in schools? Give 'em the canel) it may be sensible to take television to task for causing violence on the day that British mothers cease to believe that

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reating television as the

main cause of violence

As a state, as a society, and as individuals we - well, an awful iot of us have a deep and abiding belief in the rightness and efficacy of violence as a means of attaining our ends. We have legalised, codified and admired vioence for millennia, whereas television has been with us just 45 years. It is .teenage hooliganism - or middle-aged hypocritical nonsense to blame televi-sion for teaching impressionable teen-The town/gown fighting in Oxford agers that violence is good, violence is effective, violence pays, when that has been the message passed down from generation to generation sinca time immemorial. What were the crusades?

the best treatment for a crying child in

a supermarket is a smack.

Television shows us the endlessly violent instincts and/or methods of the people who inspire, make and watch the programmes. The revived attack on television vic-

lence by Virginia Bottomley and the Daily Mail is a classic example of displacement activity. Under strain, and baffled about what to do? Rock backwards and forwards, scratch your head - or attack television. Any changes imposed on television as a way of trying to reduce real violence in society will be cosmetic. You could sterilise the whole of television tomorrow. remove every violent incident down to the last slapped wrist, and it would make not a jot of difference to man's timeless inhumanity to man.

To conclude that television causes The town/gown fighting in Oxford which led to the deaths of students and temporary closure of the university was not prompted by television: it happened in 1854. The most vivid depiction of London muggings have Goodwill missions by gental PR men? coma not from television hat from

(trotted out yet again on this week's degree of danger involved in walking them than it does to force all childless Heart Of The Matter with the usual down the street after dark or letting homes to pay for "childproof" caps on knowing smile from the trottee) the children play on the common, and springs from contorted thinking. Does can give rise to fear which is disprothe trottee really believe that those lager ads sell beer to teetotallers? Or New Zealand lamb to vegetarians? Commercials work when they are pushing at an open door. You can be fairly confident that anyone who goes out and behaves as a homicidal maniac after watching television was a homicidal maniac when he switched on. No matter how much violence Mary Whitehouse watches, she is not going to commit copycat murders.

So does television have no influence whatsoever? Plenty, of course, as a part and parcel of all the elements acting within society, but it is only a machine. It is no more capable of "causing" violent instincts in the brain of homo soviens than romantic novels are capable of "causing" love. What it can and does do is increase the speed at which information circulates, and the rate at which ideas and atti-

Dickens and Defoe. The notion that tudes are conveyed between people, it dren and it makes no more sense for "TV sells soap so it must sell violence" can also mislead viewers about the Nanny Bottomley to force V-chips on portionate to the actual risks of daily

> hat, then, should be done? Cosmetics are not necessarily a bad , thing, and a little collection of cosmetic gestures might be better than no gesture at all. The most important point, surely, is that the viewer should be given every opportunity to know beforehand what is coming up on screen, and be helped as much as pos-sible to control what children are able to see. To that end parents should be able to buy sets containing the famous "V-chip" which can screen out unwanted programmes. But it would be wrong for the government to force all manofacturers to fit V-chips to all new sets. More than 60 per cent of households in the UK contain no chil-

aspirin bottles - as occurs at present.

More controversially and more expensively, it must be time for hroadcasters to admit that since they cannot act in loco parentis to the nation, cannot be responsible for our morals or our bedtimes, and have no means of knowing what children are watching in their bedrooms, they will in future categorise every programme and return responsibility for viewing to the viewers. In the past it has been argued that any sort of certificate system similar to the cinema's would be far too long-winded, time consuming

and expensive for television. But why should producers not categorise their own programmes, preferably not using the modern film system since that still seems to baille so many people, but returning to the old U, A and X symbols meaning universal, parental guidance, and adults only. These ratings could be attached to all hillings in programme magazines and

newspapers and, if it was thought necessary, even carried as a small logo in the corner of the screen. Regular topical strands such as news programmes could be permanently X-rated so that British television news could abandon its present self-imposed censorship and show the British public what is seen these days by viewers in Enrope, North America and so on. You could even have U-rated news for the

To avoid producers cheating and marking all their programmes "U" in the hope of bigger audiences, there would have to be post-hoc reviews to ensure accuracy, and a penalty system under which cheats would lose the right to categorise their own programmes and hand over to a department head or even, if really necessary, an ontside body. As ever, Whitehouse types will oo donbt complain that X-ratings will serve as a beacon to the "wrong" sort of viewer, hat that merely proves that their real concern is to impose their tastes oo others. rather than protect their own sensibilities. Clearly these certificates would have no enforceable authority, but viewers would become responsible for the content of their own viewing and their children's, and violeoce would be seen only by those nho knowingly sought it out

Then perhaps we could all talk about something else.



Innocence and angst

famous for chirpy numday", died earlier this year, aged 91. Days before his death be had completed some new songs for Listen to the Wind, a jeu d'esprit he had originally created in 1954 as a children's Christmas treat. There is something warmly festive about leaving the King's Head Theatre (where the show runs until January 19) humming

the last song of a nonagenarian. Listen to the Wind is a delight, at least for lovers of innocence. It is a pastiche, set in a cosy Victorian world (in itself the epitome of the Christmas dream) seen through the equally rosy eyes of the mid-1950s, before sex reared its suggestive head. Here we have nice children - and rarely have stage children seemed so sympathetic - carried off on dream adventures with pirates and potions, mermaids and lost jewels. There is also a wonderful pantomime villain, with all the lip curling venom of a pussycat. It is as warming and comforting as a cup of cocoa.

his is still a golden eagle

starting to sound a problem.

Galina Gorchakova has been

starring spot in the televised

gala, when she sang "Pace, pace"

from Verdi's La forza del destino.

Her operatic duties despatched,

she stayed on a for a couple more

nights to give a solo recital at the

Wigmore Hall on Monday - all

Russian songs, accompanied by

her regular partner, the formida-

It started uneasily. Most sing-

ers like to come out and clear the

air (and their throats) with a

bracing song that will also have

the benefit of blowing away any

nerves. Gorchakova began with

Glazunov's delectable "The

Nereid", aqueous arpeggios in the piano washing over a vocal

ble Larissa Gergieva.

dozens of them, as predictable as British music theatre, dawn, as tinkly as sleigh bells, as old-fashioned as Christmas itself. bers like "Spread a little happiness" and "This is my lucky day", died earlier this year, aged apiomb by Paula Wilcox. are among the strongest. Ellis obviously clung to the idea, which lasted for a few months in 1958, that with a little sprightliness, pop could tame this new rock music nonsense.

> isten to the Wind would sbock the streetwise but has immense warmth. As the children, Vicky Taylor in particolar was quite charming, and Ben McCosker and Olivia Hallinan are equally committed. The rest of the cast, under Dan Crawford's generously free and easy direction, just about resist sending it all up. In the past Listen to the Wind was famous, if at all, for launching Maggie Smith, as the West Wind. It now lives again as the perfect Christmas outing for genteel children and their parents.

Contemporary Christmas, in all its post-modern alieoation, is briefly evoked in Marry Me a Lit-And to make it totally escapist tie, a cocktail of Stepheo Sondthere are Vivian Ellis's songs, heim songs, which has just stocking-filler.

EC4. A Woman (Rebecca Front) hangs up her stocking in her lonely Manhattan apartment. expecting nothing.

Morry Me o Little is basically a concert pretending to be a show, In 1980 Sondheim was persuaded to allow out-cuts, songs that he had written for other productions but which were never used, to be blended into a short, sad tale of two New Yorkers (Clive Carter plays The Man) spending a solitary Saturday night. The concelt is that they while away the hours alone oo the same set.

It is a mournful piece, and some of the songs - in particular "Pour le sport" - hardly fit into the self-pitying angst of the situation. But it is a wonderful opportunity for Sondheim fans to mop up crumbs from the Master's piano-stool and the title number is so obviously a classic that it is not surprising that it was subsequently re-incorporated loto Company, the show it had been so strangely axed from. "There won't be trumpets" and "Your eyes are blue" also deserve saving. This short, 70-minute diversion will not change the world but is a very acceptable extra

Recital

Diva to thrill to

line of hushed poise. The singing was luminous, delicate in tone,

Keeping thia great soaring voice under restraint is no easy task, but Gorchakova Wants to be taken seriously as a recitalist and chooses songs that are real salon pieces, not pseudo-operatic arias. There was enough to eojoy among a whole array of songs little known in the west, such as ber quiet radiance in Cui's "The statue at Tsarskoye Selo" and the sense of dark yearning lurking in the shadows of Rubinstein's "Night": even when she deadens the sound on purpose, as in Tchaikovsky's "Not a word, my

sit through all these inward songs just waiting for the voice to let fly, but that is the temptation. In fact, on the evidence of this recital, there are two voices: a middle which has to be manipulated carefully to stop it wandering off the note and a top which always does what ahe knows it will do, namely blaze away thrillingly and set every pulse in the hall racing (quiet top notes do not seem to be an option). A couple of operatic encores

So it seems unappreciative to

should have sealed her success, but did just the opposite. Catalani's "Ebben, ne andro lontana" from La Wally west firmly enough, but "Vissi d'arte" from Tosca, which should be in her voice when she has just been singing it on stage, was a trial as she struggled this way and that to stay in tune.

Gorchakova has one of the world's great soprano voices in ber keep. I can think of no other ainger one is willing so hard to get it right.

Richard Fairman



Liz May Brice, centre, as Beauty in Laurence Boswell's beguiling production set in 18th century France

Theatre/Sarah Hemming

Bewitched by Beauty

at Christmas. After its wildly-inventive Grimm Tales and Jungle Book, it has now turned its attention to Beauty and the Beast. This year, Tim Supple has handed over the reins to Laurence Boswell as director but be, too, drives a coach and horses through the usual clichés of the Christmas show. His Beauty and the Beast is a bewitching piece of theatre that brings out all the myaterious attraction of the old fairy tale. In Boswell's adaptation, the

tale is set in 18th-century France. At the outset, Beauty and her family live in prosperity and security in a fine house in Paris. But when her merchant father's business begins to crumble, the family moves downmarket and

release him after he promises to send one of his daughters in his place. So Beauty finds herself in his strange palace and en route to releasing the Beast from the spell that has imprisoned him. It is a canny adaptation that allows adults in the audience to muse on the curious sub-text of the story: the Beast's palaca could just be the world of dreams where sub-conscious desires take on atrange shapes; Beauty's adventure could be the passage from adolescence to adulthood, as she ricochets back and forth between the familiarity of her family home and the exotic other-

ness of the Beast's palace. But all

The Young Vic is rapidly the story begins. Beauty's father this is there for the taking, music based on 18th-century becoming the place to be stumbles across the Beast's palagested rather than made French courtly music, folk songs ace after losing his way on a explicit. For children, this is just and ballads played on traditional snowy ride home. The Beast a fascinating tale, heantifully instruments, holds him hostage and will only release him after he promises to experience of sibling rivalry and first only by: powerful day-dreams.

t is robust, physical and highly-loventive and exploits the theatre-in-thewell. Anthony MacIlwaine's design is simple: just bare boards on stage and four immenselyhigh sets of doors at the end of the exit ramps that can suddenly be flung open to great effect. Boswell uses the power of sudden darkness and changes of light superbly, plunging his audience into the world of the play. And

Tha Beast is represented at first only by a booming voice and a comically antomated little clockwork manservant (cleverly played by Gary Section). But as his release approaches, he makes an appearance: a sorrowful crearound stage wonderfully ture weighed down by a huge head of leaves and thorns. Beauty is beautifully played by Liz May Brice as a composed, resilient young girl, whose capacity for love is never in question. The whole production has a beguiling, other-worldly feel to it and is packed with memorable images.

the whole production is under-pinned by Mick Sands' excellent ary 1 (0171-928-6363)

and it soars aloft, the most glorious and powerful creature on the wing, but these days bringing it under its handler's control is increasingly

busy in London over the past few weeks. There was the revival of touchingly withdrawn, but often Toscz at Covent Garden, which received mixed reviews, and a under the oote - a problem that refused to go away.

> friend", the voice cannot help being filled with emotion.



■ BERLIN

CONCERT Philharmonie & Kammermusiksaal Tel: 49-30-2614383

 Berliner Barock-Orchester: with conductor Konrad Latte, soprano Gwendolyn Bradley and organist Wolfgang Wedel perform works by Pachelbel, Corelli, J.S. Bach and Handel; 8pm; Dec 20

EXHIBITION Das Bauhaus-Archiv, Museum für Gestaltung Tel: 49-30-25400278

 Otto Bartning und die Bauhochschule Weirnar 1926-1930: exhibition devoted to the Bauhochschule Weimar, the Weimer "successor" of the Bauhaus when this teaching institution for the arts moved to Dessau. The Bauhochschule was led by architect Otto Bartning. Other teachers included Ernst Neufert, Erich Dieckmann, Otto Undig, Witheim Wagenfeld, Ewald Dülberg, Hedwig Heckemann and

Cornellus van Eesteren; to Feb 23 **OPERA** Staatsoper Unter den Linden Tel: 49-30-20354438

 Hänsel und Gretel: by Humperdinck. Conducted by Fablo Luisi, performed by the Staatsoper Unter den Linden. Soloists includa Nold, Bönig, Bomemann, Nossek, Eisenfeld, Zettisch and Menzel; 7pm;

CAMBRIDGE EXHIBITION

Fitzwilliam Museum Tel: 44-1223-332900 The Golden Century: Dutch Master Drawings from the Fitzwilliam Museum, Cambridge: this exhibition shows landscapes, seascapes, animal and flower drawings, figure drawings and drawings with religious themes by 17th-century Dutch artists, including Rembrandt, Cuyp, van Huysum, Goltzius, Bioemaert, Saftleven and the van de Veldes. All works are selected from the collection of the Fitzwilliam

■ CHICAGO

Museum; to Dec 22

EXHIBITION Museum of Contemporary Art Tel: 1-312-280-2660 Art in Chicago, 1945-1995: exhibition presenting an historical survey of the art made in Chicago in the years 1945-1995. The exhibition features about 150 works by 135 artists in all media and includes a supplementary exhibition of documentary and

archival information on the time arts, such as film, video, performance, audio works, and computer-assisted arts: to

Civic Opera House & Civic Theatre Tel: 1-312-332-2244

Die Zauberflöte: by Mozart. Conducted by Marek Janowski performed by the Lyric Opera of Chicago, Soloists includa Frank Lopardo, Elizabeth Norberg-Schutz, Yelda Kodalli and Olaf Băr, 7.30pm; Dec 19, 21

LONDON

CONCERT Barbican Hall Tel: 44-171-6384141 London Symphony Orchestra: with conductor Rafael Frühbeck de Burgos and planist Horacio Gutierrez perform works by Rossini, Prokoflev and Stravinsky: 7,30pm; Dec 19 Wigmore Hall Tel: 44-171-9352141 Guildhall String Ensemble: with conductor and violinist Robert

Salter perform works by Corelli,

Biber, J.S. Bach, Telemann and

EXHIBITION Mayor Gallery Tel:

Haydn; 7.30pm; Dec 19

44-171-7343558 Faces and Places: Dada and Surrealist Portraits and Landscapes: exhibition celebrating the centenary of the birth of Tristan Tzara, the founder of the Dada movement, and of André Breton, the founder of Surregism. The exhibition features

works by many of the most significant artists of the two movements, together with some of the lesser known names. Artists represented include André Breton, Giorgio de Chirico, Salvador Dali, Max Emst, René Magritte, Man Ray, André Masson, Pablo Picasso, Kurt Schwitters, and others; to Dec 20

LOS ANGELES CONCERT

Dorothy Chandler Pavillion Tel: 1-213-972-8001 ● Los Angeles Philharmonic: with conductor/pianist Jeffrey Kahane perform works by Prokoflev, Mozart and Tchaikovsky; 8pm; Dec 19, 20 (1.30pm), 21

Collection: exhibition featuring.

collection of New York publisher

MoMA's prophetic René Magritte

surrealist Imagery, Kaplan began

collecting surrealist art in the late

60s and has continued to collect

Glorgio de Chirico, Salvador Dali,

Paul Delvaux, Marchel Duchamp.

Max Ernst, René Magritte, André

Masson, Joan Miró, Man Ray,

Yves Tanguy and Dorothea

exhibition are Victor Brauner,

about 120 prints from the

Gilbert Kaplan. Inspired by

the dreamlike elements of

CONCERT EXHIBITION UCLA at the Armand Hammer Museum of Art and Cultural 1-212-875-5030 Center Tel: 1-310-4437020 Visionary States: Surrealist Prints from the Gilbert Kaplan

EXHIBITION Museum of the City of New York Tel: 1-212-534-1672 show of 1965-66 and Intrigued by Drawing the Future: Design Drawings from the 1939 New for over 30 years now. Among the 23 artists included in the provided the vision for the 1939 New York World's Fair, this exhibition presents about 40 original architectural renderings and illustrations from the

Tanning; to Jan 5

■ MIAMI EXHIBITION Center for the Fine Arts Tel: 1-305-375-3000 Continuity and Contradiction. A New Look at the Permanent

Collection: over 50 paintings, drawings, prints, sculpture, photographs, video and mixed media installations are on loan from the Museum of Contemporary Art, San Diego. The works by such artists as Donald Judd, Sol Le Witt, Roy Lichtenstein and Kiki Smith range from 1960 to 1990; from Dec 19 to Feb 23

NEW YORK

Avery Fisher Hall Tel: New York Philharmonic: with

conductor Leonard Statkin and narrator Christopher Plummer perform works by Dukas, Barber and Walton; 8pm; Dec 19, 20, 21

York World's Fair: focusing on the art of the futuristic drawings that museum'a collection of nearly 400 drawings prepared for the 1939 World's Fair; to Jan 5

Dickens'a manuscript of "A Christmas Carol" is on view in this holiday exhibition; to Jan 5

Tel: 1-212-685-0008

The Pierpont Morgan Library

A Christmas Carol: Charles

■ PARIS DANCE

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
Gitano: a choreography by Antonio Canales to music by Jimenez, performed by the Ballet Flamenco Antonio Canales; 8.30pm; Dec 20, 21, 22 Théâtre National de l'Opéra Opéra Gernier Tel: 33-1 42 66 50

 Ballet de l'Opèra National de Paris: perform George Balanchine's Apollon, Agon, Capriccio and Violin Concerto to music by Stravinsky; 7.30pm; Dec

■ TURIN OPERA

Teatro Regio Tel: 39-11-88151 Le Convenienze ed Inconvenienze Teatrali: by Donizetti. Conducted by Fabrizio Marie Carminati, performed by the Orchestra e Coro del Teatro Regio. Soloists include Luciana Serra, Carlos Chausson and José Fardilha; 8.30pm; Dec 19

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EUROPEAN CABLE AND SATELLITE BUSINESS TV (Central Europaan Time)

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Financial Times Business Tonlaht

CNBC: 08.30

Souawk Box

10.00

18.00 Financial Times Business Tonight

European Money Wheel

COMMENT & ANALYSIS



Edward Mortimer

Open invitation

The EU and Nato should do more to bring Russia and other new democracies into the western community

"Our goal is to welcome the new member(s) hy the time the argument. The Russians in 1999." Nato foreign minisbave been told too often ters declared at their meetthet Neto enlargement is neither directed against The brackets round the them nor subject to their "s" are nnduly coy.

Although Poland, the hisnow would involve a damagtoric battleground between ing loss of Nato credibility. Germany and Russia, is the As for the EU, its enlargement, bowever desirable, is only likely new member of strategic importance, it is too slow to be used as a no secret that the Czech quick fix. EU membership Republic and Hungary will involves painful adjustment also be on the list when of laws and economic practices in the candidate coun-Nato's political leaders tries. Even more difficult. it unveil it at a summit in Madrid next July. requires the alteration of The only candidates which are still in doubt are deeply ingrained procedures on matters such as the Com-

Slovenia and Romania. Othmon Agricultural Policy, it is likely to look in erwise, the list for the "class with the mollification of of 99" is closed. William powerful vested interests. Perry, US defence secretary, Despite their overlapping membership, however, Nato hroke the bad news to the Baltic states in September, and the EU have not talked directly to each other until telling them they were "not yel ready for Nato". Bulthe last few weeks. It is only now that the agenda of garia must languish ontil there is another round of enlargement - as must Sloorder to replace that of the many vakia, the rest of the Balcold war is getting the co-ordinated strategic attenkans, Ukraine, and Russia. The arguments against tion it should have had

external threat to devote

meagre resources to defence

rather than to cushioning

the painful transition from

eoclalism to market eco-

The authors argue that

the EU, rather than Nato,

should take the lead in

bringing the new democra-

cies into the western com-

munity. Nato is telling the

EU to do this for the Baltic

states, they point out, so

why not for the central

Europeans as well? What

central Europe needs is the psychological reassurance

and investor confidence that

comes from full integration

in western society, which

the EU, rather than Nato,

this approach are recalled in a recent report* hy two Two contributions to this security think-tanks, one effort come from distin-Angle-American, the other guished researchers at the London School of Econom-European. It annoys the Russians, divides the new ica. The first is Professor democracies and encourages countries which face no Russia's options

Council of Europe

OSCE plenary

UN Security Council

Politics and security 1996 2010

Council of Europe

WEU Nato

UN General Assembly

MF & IBRD No tradeshorship.

Those points are valid, William Wallace (now a Lib- the clubs, with the excepbut it is too late to reopen eral Democrat peer), who tion of the EU/WEU/Council argues persuasively that an of Europe where it is an enlarged EU "must do less, so as to do it better ". The He then shows the same Union should leave details chart as it might be in 2010, of social, environmental and with the EU present in its consent. To retreat from it agricultural legisletion to own right in all the organimember states, he says, and sations except Nato, where

> the pressures of migrants and refugees. The second is Michael Emerson, a former EU ambassador in Moscow, who looks at how the map of Europe has changed since the Roman Empire and how

> concentrate on strengthen-

ing its capacity to conduct

foreign policy, fight cross-

border crime and manage

2050*** Mr Emerson prasents charts to show the main international organisations relevant to Europe - and which of these Russia, the US and the EU belong to. It is, he remarks, "an incoherhuilding a new European ent mess for the EU, with semi-

memberships and amhiguities": it has no preseoce in Nato, the UN Security Council or the International Monetary Fund. For Russia, the position is "unsatisfactory" with many exclusions. as the chart below shows. The US is the leader in all

continent's security, with the EU and the US. That will work only if the EU endows itself with institutions capable of conducting a common foreign policy, that is, applying its economic power to the satisfaction of its members' secu-

it would have some sort of

associate status. By then, he

envisages Russia having a

special association with

Nato on military matters.

and with the EU on eco-

nomic matters - as well as

being a full member of the

G7/8 (the world's main eco-

oomic powers) and of tha

The Organisation for

World Trade Organisation.

Security and Co-operation in Europe - to which both

Russia and the US already

belong - will have spawned

a "European Security Coun-cil" on the model of the UN

one - with the US, EU, Rus-

sia and perhaps Ukraine as

This scenario does not

eliminate Nato enlarge-

ment, hut helps us to see it

as only one item in a longer

term shift. Europe's stabil-

ity in the 21st century will

depend on engaging Russia

in the task of organising the

permanent members.

*Noto Expansion: Time to Reconsider (British-American Security Information Council and Centre for European Security and Dis-

*Opening the door: The enlargement of Nato and the European Union (Centre for European Reform, 127 Wendel Road, London W12 9SD,

Europe (Centre for Economic Performance, London School of Economics)

***Re-drawing the map of

Pfizer forum | Alzheimer's Disease:
A Scourge That Must Be Beaten

BY THE HON, DANILO POGGIOLINI

The ageing of Europe's population and the longer average lifespan have led to an increased frequency of age-lioked diseases, such as Alzheimer's. As many as 8 million people may be stricken by the year 2000. A Member of the European Parliament offers e list of measures to help families and sociedes face this dreaded illness.

Alzheimer's Discase (AD), oamed

after the German doctor who first diagnosed it io 1907, is an irreversible and incurable degeneration of the brain leading to loss of memory, confusion, personality disturbances, and progressive loss of independence. Ultimately, patients die of related complications. such as respiratory failure.

The disease strikes mainly those over 60 (around 5 per cent of whom are affected), and its prevalence doubles

approximately every five years between the ages of 60 and 90. The World Health Organisation estimates that one quarter of all those who reach the age of 85 suffers from Alzheimer's. Because of this link to age, AD afflicts more people in sociedes with a looger life expectancy such as Western Europe.

At the same time, the reversal of the age distribution pattern in most EU countries has meant that a shrinking body of younger workers bears the costs of chronic diseases that afflict the elderly, such as Alzheimer's Disease. In part, this is the reason for the dramatic shortfalls in the social budgets of European countries. Thus, many families must shoulder the often overwhelming financial and psychological burden of caring for an AD sufferer with little outside assistance. It is essential to develop a long-term strategy to alleviate the consequences of the growth in the number of AD sufferers by providing services and therapeutic options that address the needs of patients, families and society.

The medical problem is considerable. There is still no cure for AD, though there are new drugs either available, or under investigation, which may optimise cognition and patient function. Longer-term hopes are placed in the use of gene therapy.

The social challenges created by AD are equally daunting. The patient's gradual loss of independence creates huge difficulties for the family in both financial and psychological terms. An AD patient very soon requires constant and exhaustive supervision, which hospital geriatric wards cannot provide. It is therefore a high priority define appropriate forms of psychological, medical and financial help to



AD at home as long as possible; and to find ways to permit patients to live in conditions which respect their dignity and humanity.

Fortunately, s number of voluntary associations have sprung up throughout Europe to belp alleviate the problems created by this disease. Most have been founded by the families of AD sufferers. Their activities range from the production of information leaflets, to the establishment of day-care centres for AD patients and telephone help-lines providing information and psychological support to carers. It is essential that these organisations receive financial support, but also that they be integrated into the oetwork of existing encial and bosoital systems.

Europe's response to the issues raised by AD bas been somewhat timid, but positive signs are emerging, such as the European conference oo " The Practical Management of Alzheimer's Diseasen (November 21-22 in Limerick, Ireland), organised by the Irish Department of Health and the Alzheimer Society of Ireland on behalf of the European Commission, in order to assess current approaches to the care of AD patients, and to define future research requirements concerning the social aspects of the disease.

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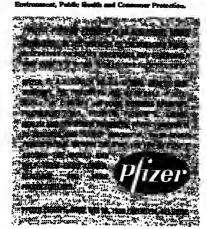
In a recent resolution, the European Union called for stronger action. In accordance with Article 129 of the Treaty, the European Commission should launch an action programme to initiate coherent policies, acting as a catalyst for both public and private initiatives. This programme should concentrate on the following central poiots: an emphasis in the medical community on early

recognidoo and diagnosis; an information campaign to make European citizeos sware of the existence and manifestations of the disease, and to prepare them for the upheavals it may have on their families; improvement in the quality of care for AD sufferers; the formatioo of networks to exchange "best practices" of care, both psychological and pharmacological; and finally, financial support for

all measures aiming to develop care systems, whether such messures come from the public sector or from non-governmental associations and organisations. These steps should go hand-in-hand with a considerable stepping-up of social and medical research on Alzheimer's Disease.

Today, it is mainly the stricken families who must bear the psychological, social and financial difficulties created by Alzheimer's Disease. Social solidarity demands that they not be obliged to assume this responsibility almost alooe, but that society should shoulder part of the burdeo.

The Hoa. Dunito Poggiolini is a Member of the Pers thee of the European Parliament for the



·LETTERS TO THE EDITOR·

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Experts say genetic soybeans safe and need no special labels

From Michael A. Scharf. Sir, Joe Rogaly's article "Beans and genes" (December 7/8) did not contribute very much to the genetic engineering debate. I'm not referring to his name-calling "mad scientist soybeans"

"futuristic corporation", "Big M" - to which I won't respond, nor to his selfacknowledged cynicism (which somewhat ruined his humour just as it was starting to amuse). I'm just disappointed that

he only gave a passing reference to the fact that experts and government agencies around the world, including the US, Europe/UK, Japan, Canada, Mexico and Argentina, have concluded unconditionally that Roundup

such as these beans, which safety, would imply that these products are different from their unmodified counterparts when they are not. Again, the same regulatory authorities as mentioned

stantially equivalent to Ready soybeans (RRS) are as safe as other soybeans. Mr Rogaly says there

would be no problem if only customers could be given the option through labelling of not buying products containing RRS. However, mandatory labelling of products are unchanged in composi-tion, nutrition, function and

above have concluded that there is no need for special handling or labelling because these soybeans are as safe as other soybeans and because they are sub-

other soybeans. All this was reaffirmed again hy tha Ministry of Agriculture Fisheries and Food's food advisory committee on December 12.

We are fully aware and . accept that some may have concerns and questions about RRS, which is why we and others have opened consumer hotlines and produced information leaflets to address the issues. We remain at anyone's disposal to discuss the matter.

Michael A. Scharf. Monsanto Services International, Avenue de Tervuren 270-272,

Tervurenlaan 270-272, **B-11150 Brussels, Belgium**

Ageing population no pensions disaster

From Mr Walter Stanners. Sir, Another article about the pension time bomb ("Germany's pension time bomh", December 16)! Several of your columnists have covered this. It is obviously a good running story. In each article (and no doubt in many others throughout the press), the same scare vocabulary (time bomb, crisis, spiralling costs, impossible to maintain, huge strain, grave situation) and the same material (ageing population, fewer full-time workers, more casual work, rising non-wage costs, interna-

Each closely examines the trees, while determinedly turning a hlind eye to the

tional competitiveness) are

re-cycled.

wood. Not one, so far as I recall, has argued that the ageing of the population is going to to lead to an actual reduction of national income per bead. If that were the story, then indeed the scare language would be warranted.

Nor has anybody explained why the projected rise in German pension contributions from 20 per cent now to 25 per cent of gross salaries in 2040 is such a disaster, while paying a large and growing fraction of one's income to a personal funded pension is OK.

Ohviously, if we are going to live longer, and work for a shorter time (and outside of pension time bomb columns. we generally think of this as

progress), we will have to consume less and save more during our working lives, and consume more and "dissave" more in our nonworking lives. There may be e number of

ways in which this ineluctahle, but strictly undisastrous, trend is catered for in practice. It is hy no means clear that the German notion, to "develop further the tried and tested treaty between the generations", is a bad one, although clearly it will provide fewer opportunities for profit to bankers and insurers.

Walter Stanners. 49b Fen End. Cambridge CB4 5NE, UK

recognised Fram Mr John Roper.

Standards

 Sir, Mr Patrick Moulette, secretary of the Financial Action Task Force on Money Laundering, is quite correct in saying (Letters, December 16) evaluations carried out on the Crown Dependencies and presented to the June 1995 FATF plenary meeting were not official FATF mutual evaluation reports.

These evaluations were carried out hy officials from the UK Treasury, Home Office and Bank of England and an officer of the Centrale Recherche Informatie of the Netherlands Police Force. They found that the legal, financial and law enforcement structures in Guernsey were substantially in accordance with the FATF'a 40 recommendations. The report concluded: "The attitude of Guernsey authorities towards money laundering is extremely healthy, and is reflected in the understanding of the issue among financial institutions and the population at large.

"There is a general belief in Guernsey that a clean financial sector is the best way of attracting business. and the authorities are keen that financial institutions that establish themselves on the island should not be seeking to avoid the rigorous level of financial supervision that they would be subject to within the European Union."

John Roper. director-general, Guernsey Financial Services Valley House, Hirzel Street, St Peter Port, . Guernsey, CI GY1 2NP

Unequal standards allow diesel engines to survive

From Mr Vic Heylen. Sir, Stuart Marshall paints a rather rosy picture of the diesel engine and its potential for use in motor cars. "Downhill days for diesels." December 14). In spite of impressive improvements a diesel engine is still noisier, smellier, heavier and more costly to produce than a comparable petrol engine. They admittedly use less fuel and therefore emit less

gases but also do not come anywhere near the performance of a petrol engine. Most problematic, bowever, is their higher NOx and particulates emissions which are supposed to be carcinogenic. Whether the latter is true or not has

such an epigraph, its long-term survival is seriously threatened. The truth of the matter is thet, with exception of the UK, diesel technology sur-

become more or less irrele-

technology has acquired

vant. Once a substance or a

vives mainly on artificially low fuel prices because of lower taxation and the fact that the European Commission allows more lenient exhaust emission regulations for diesels. If diesels had to meet the same standards as petrol engines, it would mean instant death.

This is another example where legislation hampers technical progress. Long ago it was the UK road tax system based on the bore size of an engine that kept long stroke engines alive, long after their inefficiency had been established. The generous attitude of

the Commission will persist

as long as European car makers are able to convince the Commission that diesel engines are still a promising technology because of their lower emissions of CO, gases and therefore contribute to the reduction of global warming. The problem bere is that, with the exception of some 400,000 in Japan, diesel engined cars are sold almost exclusively in Europe. They therefore contribute little to

the solution of the "global" warming problem. This is in contrast to the diesel's NOx and particulate emissions which are a typical local pollution problem.

Convincing the Commission that diesel engines still deserve preferential NOx and particulates treatment will become even more difficult now that Japanese car makers have announced their direct injection petrol engines, with all of the advantages of the diesel engines and none of its di advantages.

Vic Heylen. managing director. Analyse Anto. Mechelse Stw.12. 2000 Antwerp.

Personal View • Richard Layard

False fears about Emu

Opposition to UK membership of the Single currency is based on unsound



People worry that European economic and monetary anion (Emu) will cost jobs. At a minimum, they say, the UK should wait and see. These arguments are gener-

ally hased on several falla-Fallacy 1. Emn is like the exchange rate mechanism (ERM), which the UK left in 1992 - but worse.

If the ERM was bad for

jobs, why lock into another exchange rate arrangement? The first answer is that the UK went into the ERM at an overvalued rate, and this is what destroyed jobs. Today the exchange rate of the pound is at a more sensible level.

Second, the ERM and Emu are quite different. Under the ERM, there is the possibility of occasional realignments of exchange rates. This exchange rate risk damages trada and increases interest rates. Under Emu, there are no European exchange rates, so this prob-

lem disappears. And there is another huge difference. Under the ERM, the D-Mark operates as the anchor currency and the other countries peg to it. This means French interest rates are determined by the needs of the German economy, and this is bad for jobs in France. Under Emu, interest rates would be set by a representative Europaan central bank.

Fallacy 2. The European central bank will damage the UK economy by impos-ing a deflationary monetary policy like the Bundes-Europe's currency. But only

bank's. But Germany's unemployment over the last 10 years has been lower on average than that in the UK or US. And German output and employment have been more stable than the UK's.

Bad monetary policy has given Britain three of the seven largest post-war recessions in the leading industrial countries. Under a European monetary policy there is good reason to expect both lower inflation. lower interest rates and more stable output.

We must of course retain the freedom of individual countries to offset countryspecific shocks by the flexihie use of budgetary policy. So Britain should ensure the "etability pact" governing large. hudget deficits after Emu is flexible enough to do this. Similarly, the UK should encourage the European Council of Ministers to argue with the central bank if it is excessively cautious in its early years - as could happen in some macho show of

Under a European monetary policy there is good reason to expect lower inflation, lower interest rates and more

strength.

stable output

will do to inflation, economic heavily on European growth, fluctuations, trade and longwhether in or out of run growth.

ence that growth. Fallacy 3. The UK should not join until its real economy has converged with that of other leading EU The simplest form of this

if the UK is in can it influ-

argument is that the UK must have higher productiv-Ity to compete internationally - and until productivity levels are np with the leaders, it is dangerous to This is a simple miscon-

ception, since the ability to compete depends not only on productivity hut on wages. Provided wages are in line with productivity, the UK can compete quite well - as is the case now, by and

If productivity really had to be uniform insida a cur-rency union, different currencies would he needed in different parts of the UK and in different US states. Another version of the

argument, put forward by Eddie George, Bank of England governor, says there has to be real convergence in unemployment rates. But unemployment is determined in the long run hy different forces from those which determine inflation and economic stability - mainly by labour market structure which always differs between countries.

A non-inflationary reduction of unemployment in all the countries of Europe is essential, and there are labour market policies that can achieve it. But that is a totally independent lssue from the regulation of the UK's financial affairs: the case for joining the single currency rests on what it

A third version of the real convergence argument says the UK is very different from the rest of Europe in its industries and financial institutions, so an economic shock could affect Britain differently from the rest of Europe. The European central bank cannot be expected to lower interest rates to help the UK weather such shocks - any more than California can expect the same

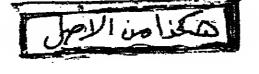
from the Fed. But the UK is no more different from France and Germany in economic structure than California is from the rest of the US. 80 if California can safely use the dollar, the UK can safely use the euro.

Fallacy 4. The UK can afford to wait and see. If most of the rest of the European Union was not joining the single currency. the UK could afford to wait too. But if the rest go ahead - as is now likely - the UK risks losing inward investment and business for the City if it does not sign up.

By prolonging uncertainty over membership of Emu. the UK risks higher interest rates, exchange rate instability and higher inflation. Waiting brings few advantages and will add to internal division and uncertainty. The backlash will be on output and jobs.

In early 1998 the UK will hold the European Union presidency. If the UK cares about jobs, it must take a lead in Europe rather than arguing endlessly at the back of the class.

The author is director of the Centre for Economic Performance of the London School



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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday December 18 1996

Tough task for Tung

China brought Hong Kong a Hong Kong has been promised amail step towards self- a high degree of autonomy. Mr determination through last Tung must stand up for that It week's election of Mr Tung is in Beijing's interest, too, to Chee-hwa as the territory's new chief executive. Though the pro-cess was hardly democratic, it did involve local people - unlike Britain's gubernatorial appointments thousands of miles away in Whitehall. But Saturday'a appointment of a provisional Legislative Council will be an unequivocal step backwards.

The signs are that Hong Kong's population is largely resigned to the replacement of the existing, democratically elected body, and that it will not meet widespread protest. This is all the more reason for Mr Tung, who visits Beijing today, to work hard to limit the damage to the territory's

Behind Hong Kong's success Chinese entrepreneurial spirit with the impartial rule of British law. This equation will change with the handover.

Britain, regrettably, came late to the realisation that Hong Kong should have its own democracy, but its administration was st least secountable to a government in London that was itself directly elected.

China has no such tradition of accountability. That is why real meaning to China's oft-Hong Kong needs institutions capable of upholding the rule of

prevent other mainland interests, such as the provinces, from meddling in the territory's affairs. Appropriate rank for Mr Tung in the Chinese hierarchy and continuing access to top leaders would help.

At home he needs to focus on fighting corruption, an issue about which he has said little so far. Most of all, though, he must persuade China to tread care-fully with LegCo.

It will be hard even for China to claim that the law is being upheld unless the workings of the provisional body are trans parent. Both before and after the transition, it should confine itself to the minimum legislation needed to ensure continuity. Mr Tung's promise of quick is its unique combination of arrangements for a fresh election to a permanent LegCo are terion should allow the broa possible spectrum of candidates to stand.

> Hong Kong will not thrive with a disaffected, disenfranchised middle class. It will prosper with government institutions accountability. Mr Tung can make a difference by bringing repeated mantra that Hong Kong people abould govern Hong Kong.

Greek strife

For the past 20 days, Greek cent Maastricht target. Govern-farmers have been blocking ment debt stands stubbornly at their country's roads to demand new tax breaks and subsidies from their socialist government. Yesterday they were joined on the streets by an unlikely alliance of doctors, diplomats, seamen and civil servants, all up in arms over the budget cuts proposed by Mr Costas Simitis, the prime minister. As the Greek five-day budget debate, the demonstrators are hoping to bully the government into making last minute concessions to

their various causes. To his great credit, Mr Simitis seems to be determined to stand his ground. He has introduced a budget which will scrap a vast array of tax breaks, invented by former Greek governments over the years to buy off special interest groups. That was the way the system always worked: noisy protests persuaded the politicians to cut a deal and buy a few more votes.

The prime minister is blaming the Maastricht treaty for his tough line on taxation and spending. It is certainly a good excuse. If Greece is to have any hope of joining European economic and monetary union by the year 2001, it bas to take drastic action to curb the public spending deficit, debt and inflation. His aim is to get the deficit down from the current 7.6 per cent of GDP to 4.2 per cent in 1997: that is very ambitious, but still a long way from the 3 per failed to attempt.

sitivities in Westminster when

1966, will no doubt prompt more

trial were, on the narrow point

The prosecution made use at

the trial of interview material

Saunders in the course of a

Department of Trade Investiga-

tion. The use of such informa-

tion, obtained in a non-judicial

framework before charges had

been brought, has long been

regarded as controversial. The

court concluded, not unreason-

cedure and thus an infringe-

ment of Mr Saunders' basic

right not to incriminate himself.

Saunders has now been vindi-

cated. The court chose not to

speculate on whether the out-

come of the trial would have

view transcripts had not been

used. It also rejected his claim

for damages. Nor does it follow

ers affair was acceptable. Large

That does not imply that Mr

at issue, justified.

around 110 per cent of GDP, and inflation was running at 7.7 per cent in November. There is no way Greece can qualify for the first wave of Emu entrants, but for the second.

The fact is that the Maas tricht criteria are giving the Greek prime minister the inspiparliament launches into its ration, and the external discipline, to impose control on notoriously lax state spending. He should hold the line against the likes of the cotton farmers, who have benefitted for years from ill-policed Brussels subsidies. They are right to ask for a clear government policy, but their demands for massive debt relief and VAT exemptions are quite tmiustified.

The civil servants who wen on strike yesterday have no better a case, and little public sympathy. Their proposed pay rise is above the rate of inflation, and far too many supplement their wages by demanding bribes for performing the most modest tasks, like issuing birth certificates.

Mr Simitis has a long way to go to reform the culture and practice of Greek public life. Meeting the Maastricht criteria is a first step. Maintaining that discipline for years to come will be much tougher. But thanks to Maastricht, Mr Simitis is making a determined effort to do what his predecessors signally

false information in a market

that the powers are exercised

case for curbing them. Even if,

following the Strasbourg judg-

ment, use of compulsorily

obtained information in court

The European Court of Human as in the bid for Distillers, to Rights invariably grates on sen-change hands on the basis of

it points to infringements in the that has been secretly rigged.

UK. Its finding in favour of the It has long been appreciated

former Guinness chairman Mr that the wide investigative pow-

Ernest Saunders, who claims to ers of DTI inspectors are open

have been unfairly jailed for to abuse. In the light of criti-

theft and false accounting after cism inspectors have, in recent

the takaover of Distillers in years, taken trouble to ensure

irritation. Yet the court's criti- with great care. As long as that

cism of the procedures at the continues to be so, there is no



Easington after the pit closures: her future may be bleak but regional economic initiatives could help her children

Nice work if you can get it

Stefan Wagstyl on the the widening gap between the poor areas in the north of Britain, where jobs are scarce, and the rich south

n the former mining village of Easington, County Durham, all thet remains of the colliery are piles of crushed concrete and rusting steel bars. There are so few jobs that the parish council received 300 replies when it advertised for a grave-digger.

"It was heart-breaking trying to decide who should get it," says Mr Dennis Raine, a retired miner who is parish council chairman. "There's almost no other work

About 300 miles to the south in Fleet, Hampshire, there are so few unemployed that a local recruitment company is offering £50 bounties to people who put forward candidates for jobs as factory hands, Mr Roly Newman, the agency's operational director, says he has about 100 vacancies on his books, "With Christmas coming, the retailers will get busy. It'll get worse."

The divide between Resington and Fleet highlights a central finding of a report published last month by the European Commission - that Britain's regional differences are getting bigger.

While economic modernisation helped to close the gaps between western Europe's richer and poorer countries, there remain living at the regional level. These differences are larger in the UK than in other countries, the report says.

The UK government has rejected the report's findings. Mr Ian Lang, trade and industry secretary, says: "Anyone visiting the regions of the UK, rather than writing reporte from Brussels would see for themselves the transformation in prosperity and prospects."

But there is a large body of evidence to back the Commission's stance. A study of the 459 district councils in England Wales and Scotland published this autumn by the Henley Centre, the economic forecasting organisation, found that the gap between rich southern districts and poor areas which are mainly in the north were widening.

"Recent rumours of the death of the north-south divide heve been greatly exaggerated," the Henley Cantre concluded. "Regional divides are actually deeply entrenched in the structure of the economic system."

The gap narrowed in the early 1990s when the recession hit the south particularly hard. But it has widened in the last year as the economy has recovered more strongly in the south. The difference in jobless rates between northern England and the southeast, which was as little as 1.8 percentage points in 1993, is now 25 percentage points.

Other figures confirm the picture. Per capita income in the south-east is 20 per cent higher than in the rest of Britain. Southerners are also likely to be better qualified than northerners, have higger homes, and live longer.

There have been recent sucsses in government efforts to bring jobs to poor regions. North-east Scotland has benefited from the North Sea oil boom and Northern Ireland from an expansion of civil service posts. Scot. land, south Wales and northern England have gained from a since the second world war series of foreign investments, including Nissan Motor on Tyneside, and from governmentfunded urban regeneration prowide differences in standards of grammes in areas such as Merseyside and South Yorkshire.

But the net effect of government intervention and foreign investment is modest when set against economic activity as a whole. Even the UK's impressive flow of foreign direct investment - £8bn in the year to March 1995 - pales in comparison with overall investment across the country

of £100hn annually.

The scale of the challenge is illustrated by the contrasts between Easington and Fleet. Essington was ranked by the Henley Centre as the district with the worst economic prospects for the next five years. Fleet, the centre of Hart district, was ranked one of the top three, along with Harborough in Leicestershire and Cambridge.

The news came as little sur- Thriving Odiham: 1,500 residents prise to Easington district, which run 150 businesses

lost 12,000 jobs in mining and from whatever source." related industries in the pit closures in the early 1990s. The district covers the former mining communities of Easington and Seaham and the concrete 1960s new town of Peterlee.

Unemployment has been kept in check by the success of foreign investors, including TRW, the US car parts group, and NSK, the Japanese ball-bearings maker. But at 14 per cent, the jobless rate is still almost double the national average. "It's worst for men in their 40s and 50s," says Mr Bill Scorer, the district council's head of economic develop-

ment. "They bave little chance." There are pockets of enterprise auch as Surgecam, a company employing 90 people making electronic parts for televisions, It started by making cables for the collieries and diversified before the mines closed. Mr Brian Carr, the founder, says: "We saw which

Mr Scorer and his colleagues at the council are not short of ideas. "The place to be" is the slogan on Easington's page on the internet. Yet the impression is of a place which awaits salvation from the tronics and information technoloutside. The focus of attention is a £120m scheme to rebuild Seaham harbour, but it will not go ahead if a bid for £20m government aid fails.

As Mr Scorer says: "We just go on submitting for funding



Local people seem to lack the initiative, skills and means to build for themselves. There is little local capital - the miners earned between £200 and £300 a week, but saved little.

are reluctant to travel far for work. Even 30 minutes is regarded as a long commute. Easington is free of most of the social ills of the inner cities drunkenness, drugs and crime.

Despite the lack of jobs, people

But it also lacks drive: it feels remote, even from Newcastle which is only 20 miles away. By contrast, Fleet is a full 50 miles from central London, but has good connections to the capl-

tal with trains running every 30 minutes. Two-thirds of the working population travels out of the district to work but the traditional dependence on London is falling with the growth of new jobs nearby in Basingstoke, Reading and Heathrow airport. The first big investor in the area was the army, building

bases at Aldershot in the 1950s. followed by defence equipment manufacturers. Then cama elec-Sciences of the UK, Toshiba of Japan and Finland's Nokia. Together they have spawned a

nost of service businesses, includ-ing recruitment agencies, com-problems. puting bureaux and financial "It's selfadvisers. fuelling," says Mr Bill Ellis, a is now a subsidiary of International Business Machines.

The district was hit by the 1990s recession when unemployment soared to 7 per cent. But it retired executives but these are often people with savings.

They frequently start businesses, even if it is only to keep busy. In the picturesque hamlet of Odiham, 1,500 residents run 150 businesses, according to Mr Tim Paton, a toy importer. They range from pubs and antique shops to self-employed designers, writers and wine merchants. Mr Chris James, the district children and grandchildren.

mism is self-feeding. "We don't like to lie back and let things happen. We get on with it."

The heart of the problem, as the Henley Centre report says, is that regional economic development is mostly influenced by factors within a region. The study follows the analysis of Professor Michael Porter in his book The Competitive Advantage of Nations.

He argued that competition among advanced economies depends less on cost advantages such as low wages and more on a complex network of elements. These include the presence of sophisticated local customers, competitors and suppliers; a probusiness environment: skilled labour and an entrepreneurial tradition.

Applied to the UK, the argument means the south-east's advantage in its concentration of high-skilled, motivated, entrepreneurial peopla more than offsets the fact that labour costs are well above the rest of the UK.

The implication is that there is little governments can do in the short term to close the divide ogy companies including Data between rich and poor districts. It should concentrate on long-term policies such as improving education and encour-

That certainly finds favour in Whitehall. Under the Conservatives, the emphasis has been on director of Data Sciences, which encouraging regions to bring forward economic initiatives developed between public and private

sector groups.

This would be unlikaly to change under a Labour governis back down to 2 per cent. The ment, since the party is commit-villages hide their share of early-ted to creating regional suthorities. As Mr Richard Caborn, Labour regional affairs spokesman, says: "I am absolutely convinced that we must tackle this problem at the regional level." The difficulty is that this

approach will bring little early relief to economically backward districts. The ex-miners of Easington are most unlikely to benefit, even if it pays off for their

Saunders' rights BSERVE

Juppé speaks mastaminded by his in volumes

Do the energies of Alain Juppe know no bounds? The French prime minister already combines his testing day job with the mayorabip of Bordeaux and presidency of the RPR, the ruling Gaullist party. Next week he makes his debut as a man of letters with the publication of his first book. Under conditions of great

secrecy, Juppé negotiated with a

The whole process took little

Of course cymics suggest the.

compulsorily obtained from Mr can no longer be justified, interpublisher, wrote and had printed "Entre nous" - or "between us" views may still lead the inspec-- a book in which he tries to tors to other witnesses who can offer admissible evidence. circumvent the media and speak As for tha Serious Fraud directly to the electorate. Jumps says he decided to put pen to Office's powers of compulsion, the circumstances in which paper after passing a young woman in the street in Bordestix such evidence can be used in court are so limited and specific who shouted: "Death to the ably, that it constituted a that the Strasbourg Court might bastardi". The episods left the sensitive soul feeling. marked departure from fair pro- well take a more tolerant view if it ever came to the test. missinderstood.

The court's verdict mevitably means that it will become more than a month; not bad harder to obtain convictions in going for a prime minister with a reputation for close complex fraud trials. That involvement in every decision underlines the pragmatic case taken by his government. The for encouraging greater use of tireless PM must have stayed up civil remedies in dealing with especially late after dealing with been any different if the inter- white collar offences. But the sensitive policy matters such as option to take the criminal route should still be kept wide the privatisation of Thomson. open for all those forms of striking truck drivers and European monetary amon. that the behaviour in the Distill-financial skulduggery which society deems appropriate for book is just the latest ploy companies cannot be allowed, criminal sanctions.

communications advisers. They have already had Jappé appear. at football matches and meet Olympic skling champions to improve his "man of the people". image at a time when his popularity is at record lows. No doubt his second wife Isabelle,

Home-made jam . Officials at Manile's Ninoy

herself a journalist, also took a

passing interest in the ...

manuscript.

Aquino International Airport have isunched an appeal aimed at cutting down the city's infemous traffic jams. The airport authorities are begging the families of workers, returning from overseas not to clog the already congested roads by descending en masse to welcome home their loved ones. Tailbacks are so bad first it can take up to three hours to travel the 120m from the suport to the

city centre. But Filipinos are hospitable and welcoming people and the appeal is falling on deaf ears, The scale of the problem is not to be sniffed at there are an estimated 4.2m Filiatios. working overseas and about 2,000 are arraying daily at the airport to be greeted by busineds

of relations.
The government is also doing. its best to put on a warm.

treatment that includes special lanes at immigration, a live band, and the chance to shake hands with President Fidel Ramos. If this sounds over the top, it is worth remembering that overseas workers will contribute an anticipated \$7bn to the Philippine economy this year and are acclaimed as national heroes. Shame they have to stew in traffic jams like everyone else.

Robbing hoods

Pensioners in the west of Ireland can rest more easily in their beds this Christmas in the knowledge that officers from the Garda - supported by an Irish :Air Corps helicopter - are keeping an eye on the countryside.

The Garda's Operation Retrieval is a belated response to the growing number of robberies of remote farmsteads. This weekend a Galway pensioner was robbed of 1£150 in cash although the game 76-year-old did manage to wound one of the intruders with his shotgun. Many raids are thought to be carried out by organised gangs from Dublin looking to rob farmers of their life savings.

Opposition party Fianna Fail, which has strong rural support. is suggesting a more elegant solution than the mass

deployment of cops and helicopters. It has called for legal changes so that bank deposits are no longer taken into account when means-testing state pensions. As the law stands many Irish prefer to keep their savings under the mattress rather than risk losing their pension rights. Sounds like a suggestion worth sleeping on.

Round the Benz

■ New That finance minister Amnuay Viravan yesterday proposed to slash government spending on inessential items, especially those imported from overseas. If recent purchases by the office of prime minister Chavalit Yougchaiyudh are anything to go by, he will have trouble reaching his goal.

Less than a month after taking office. Chavalit has reportedly spent \$324,000 on a brand new Mercedes-Benz \$509, Four imported 7-series BMWs, priced at a total \$440,000, will also be purchased for ministers in the PM's office.

Boonchong Weesommai, Chavalit's secretary-general and the man responsible for the upkeep of official vehicles - is also entitled to a government car and he says he too wants a new one. The three-year old Mercedes used by the former premier. Chuan Leekpai is not suitable, he says.

Financial Times

100 years ago The United States and Cuba

Our Washington Correspondent telegraphs that it may be safely stated that the Maceo incident passed without causing the trouble that it at first threatened. A carefulinvestigation of official sentiment in Washington shows that there is now a more pacific feeling than at any time since intervention by the United States was first seriously considered. There is in fact no disposition to connect the Spanish Government with the assassination of Maceo. A member of the Spanish Legation at Washington stated yesterday that if the Jingo Congressmen and newspapers did not adopt a more respectful tone, it would be impossible to restrain the Spanish people from declaring

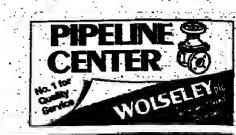
50 years ago French Budget Proposals

The new French Cabinet meets tomorrow in examine the Budget for the first quarter of 1947 and its proposals will be submitted to tha Assembly on Thursday or Friday, The Prime Minister. M. Leon Blum, indicated that the Government aims at establishing the equilibrium of the ordinary Budget by imposing sacrifices and drastic economies, and emphasised its intention to check tax evasion

LAWYERS FOR BUSINESS

FINANCIAL TIMES

Wednesday December 18 1996



WINES

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Zaire shuns peace talks as Mobutu returns home

By our foreign staff

President Mobutu Sese Seko of Zaire returned home yesterday to a halt. Mr Mobutu smiled after four months abroad in an attempt to reassert his faltering authority and quell a rebellion on the country's eastern ming, music and chanting.

Earlier in the day, African leaders attending a summit in dent Nelson Mandela of South Africa would help lead an African initiative to mediate in the conflict, which threatens to destabilise Zaire and the Great Lakes region.

However, Zaire boycotted the summit and its absence prevented any real breakthrough, delegates said.

Mr Mobutu, 66, received an enthusiastic welcome from thousands of supporters who packed Kinsbasa airport to Zaire." greet him on his return from Europe, where he had surgery for prostate cancer.

The crowd, some of them wearing copies of the leopard- Rwanda, Burundi and parts of

president's trademark, surged forward as the aircraft taxled broadly as he walked down the steps with his wife. Bobi Ladawa, to cheering, drum-

"No words can express the profoundness and intensity of the emotions I feel now," Mr Nairobi announced that Presi- Mobutu said later in a brief speech, broadcast nationally. While making no mention of the anti-government rebel

> mies of democracy" were "taking advantage of my illness to stab me in the back". He added: "Against the advice of my doctors, I decided to interrupt my convalescence

movement, he said that "ene-

to take personal charge of the situation which is threatening the territorial integrity of At their meeting on Monday. nine African leaders warned that security had worsened in

the region, comprising Zaire,

skin hat that has become the Uganda and Tanzania, since their last meeting on Novem-

> In a communique released yesterday, the leaders renewed their appeal for a ceasefire in eastern Zaire and called upon the parties to the conflict "to commit themselves to a negotiated, peaceful settlement".

> The summit chose Mr Mandela and the presidents of Kenya, Zimbabwe and Cameroon "to take the necessary ini-tiatives and steps aimed at assisting in the ending of the conflict in eastern Zaire and promoting peace, stability and ecurity in the country and in the Great Lakes region".

Since November, 800,000 Hutu refugees have had to return to Rwanda, from where they fied after the 1994 geno-cide against the Tutsi minority. Mr Paul Stromberg, a spokesman for the UN High Commissioner for Refugees. said 160,000 more refugees were yeeterday moving towards the Rwandan border.

Malaysia changes finance plans for Sarawak dam

Mr Ting Pek Khiing, the Malaysian construction magnate, has revised controversial financing plans for the building of a M\$13.6bn (\$5.4bn) hydroelectric dam in Sarawak. one of south-east Asia's big-

gest infrastructure projects. Foreign economists had criticised the project - one of several grandiose schemes backed by Dr Mahathir Mohamad, Malaysia's prime minister - as too ambitious.

The lead contractors for the Bakun dam are the Swissbased engineering group, Asea Brown Boveri, and Companhia Brasileira de Projectos e Obras, a Brazilian company.

Mr Ting said yesterday a previous plan to raise M\$8bn from issuing 4bn shares in a new company had been dropped. Instead he bopes to raise M\$6bn over 12 months pany. Bakun Hydroelectric. An justified by the relatively liable for the extra expense.

Continued from Page 1

(\$27.2bn). The technologies

Novartis will have to offer in

exchange for other companies'

intellectual property are a

cancer treatment called

HSV-tik (herpes simplex virus

thymidine kinase), gene ther-

apy conducted ontside the

body and related technologies.

Novartis must grant a nonexclusive HSV-tk licence to

company controlled by Rhône-

the first half of next year, would comprise 1.5bn shares uriced at M\$2 each, and would be followed by a rights issue of another tranche of 1.5bn shares about 12 months later. "We have revised the share issue [plans] a little bit," said

The remaining costs of the project, about M\$7bn, would be covered by issuing bonds and borrowing from banks about three years after Bakun's shares were floated, he added. The proportion of the M\$7bn to come from bonds and the proportion from bank loans had not yet been decided.

But the new financing strategy, which has been submitted for approval by Malaysia's stock exchange authorities, was greeted with little more enthusiasm than the old. One foreign economist in Kuala Lumpur said many investors

Poulenc of France. It will also pay \$60m over five years in

HSV-tk royalties to Chiron,

the California biotechnology

mpany part-owned by Ciba.

The approval allows Novar-

tis to implement merger plans

that have been ready for

months. About 10 per cent of

the workforce, 12,000 staff, will be cut, mostly in adminis-

tration and marketing, with

research, development and sales parely touched.

The company expects a one-

The new financing plan was launched after claims that the earlier provision was unrealistic. The main cause for doubt was that Bakun was not due to start commercial operations until August 31 2003. Shareholders would have been exposed for about six years to the risks of a difficult engineering project without the

promise of operating income. Commenting on the new plan, Mr Peter Ling, a director of Ekran, the controlling shareholder in Bakun, said the company's projected return on equity would be 12 per cent, several percentage points lower than less risky power

However, Mr Ting said that if the construction of the 2,400MW dam or a 1,350km transmission cable - about half of it under the sea resulted in cost overruns, the might still feel exposed to a contractors, and not the from flotation of the new com- level of risk that was not Malaysian company, would be

charge of SFr3.5bn in 1996,

which will be offset by after

tax gains on asset disposals of

SFr1.5bn. Net income next

year is expected to be about

SFr4bn, similar to last year's

figure. Mr Raymond Breu,

finance director designate,

said the group would show

continuing growth next year.

to annual savings of about

SFr2bu, SFr200m more than

the original estimate.

FT WEATHER GUIDE

The rationalisation will lead

Swiss drugs merger wins US backing off after-tax restructuring

of hiring employees had led to

"could do better" and argued that in the medium term the economy could grow by about 2.5 per cent annually, without risking an increase in infla-

Bank of **France**

By Andrew Jack in Paris

Price stability and renewed confidence in French progress towards monetary union prompted the Bank of France to cut two important interest

were now right for growth in domestic investment by businesses and households.

the five-to-10 day lending rate from 4.75 per cent to 4.6 per

predicting a cut in the wake of the progress made towards monetary union at last week's Dublin summit. They said the cuts were essentially political and too small to help the

than 2 per cent during 1996, in line with the objectives of the

maintaining a stable franc against other "credible" currencies within the European exchange rate mechanism had been met, and there had been a rise in the overall competitiveness of the French economy. "The move towards monetary union was confirmed decisively at the summit," he said. He added that France's medium and long-term interest rates were the lowest in the EU, and the third lowest in the world, after Japan and

His confidence came in spite of a study produced this week by Insee, the national eco-nomic statistics institute, suggesting France's record unemployment - 12.6 per cent of the working population or 3.1m people - was likely to rise to 12.7 per cent in the

It said the impact of mea

Mr Trichet said France

cuts key interest rates

rates yesterday.

The bank said conditions

The intervention rate, one of the key short-term interest rates, was reduced from 3.2 per cent to 3.15 per cent, and

Some economists had been

French economy.
In his annual address on monetary policy yesterday, Mr Jean-Claude Trichet, governor of the Bank of France, said that France had achieved the "ultimate goal" of price stability. Inflation would be less

monetary policy council.

He said the council'e aim of

Switzerland.

sures designed to cut unemployment such as apprenticeships - which have been hit during a period of budget cuts would not be sufficient to offset the rise in the size of

the working population. There was no evidence yet that reforms to reduce the cost

Warning on euro, Page 3 Currencies, Page 29

A subsidy by any other name smells just as rotten. That, it seems, is the robust attitude of Mr Karel Van Miert, European competition commissioner, to Germany's stateguaranteed Landesbanken. Quite right too: these banks, though mostly not well capitalised, enjoy top-notch ratings - often triple A -simply because the state stands behind them. They can therefore borrow more cheaply than private sector competitors. With the Landesbanken active in markets such as corporate lending, this is not just an academic worry. Some, notably Westdeutsche Landesbank, even have lofty ambitions in international investment banking.

Clearly, the present unlimited guarantee to these banks is an anachronism. Yet the right solution is not just to remove the state guarantees but to privatise the banks entirely. Until then, the relaxed attitude of the Länder to Landesbanken profitability is bound to distort Germany's banking market.

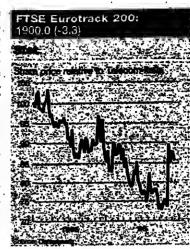
Sadly, however, any change faces a formidable obstacle: Chancellor Helmut Kohl, who seems determined to curry favour with the Lander and preserve the status quo. Not only does this make his claimed enthusiasm for the European single market look shaky; if he succeeds, it will weaken the European Commission's hand in opposing state aids elsewhere. Yet all may not be lost. Even if Mr Kohl persuades the Commission to turn a blind eye, the Landesbanken guarantees look vulnerable to legal challenge from aggrieved competitors. Let us hope

Stet/Telecom Italia

Since Italy said it would merge its two main telecoms companies last month, their shares have fared differently: those of Stet, a holding company, have shot up about 20 per cent; but those of Telecom Italia, an operator owned mostly by Stet, have been flat. All this has happened although the government has given no indication of what the exchange rate between the two companies' shares will be. Markets have taken a cynical view; since the government ultimately owns less of TI than Stet, it will have an incentive to skew the exchange rate in

THE LEX COLUMN

Fat of the land



are only where they are because markets suspect a government fix, but also unfair. Normally in a merger, benefits are split betwee both sets of shareholders, not gobbled up by just one. It would be more reasonable to pick the market exchange rate before the govern-

ment announced the merger. Quite apart from being fair, this might even be in the state's interest. It has surprisingly little to lose from treating TI's shareholders decently because it has a large indirect stake in the company: using the pre-announcement exchange rate would boost TI's value by about 15 per cent but knock Stet'a by only 5 per cent. Moreover, the state has an incentive to keep TTa shareholders sweet; it hopes next year to sell its remaining Stet stake to the same investors.

Commercial Union

The spotlight of market rumour swings more wildly in the insurance sector than most, but even by these standards Commercial Union is caught in the beam with conspic-uous frequency. Certainly, after a year of underperforming its composite competitors, CU's chares have in recently at last begun to outperform. Partly this reflects recognition of CU's virtues, notably its heavy weighting towards life business. But constant bid talk has also been a powerful factor.

In essence there are two possibilities. First is that a non-UK insurer Stet'e favour.

Some investors even think a skewed rate will be justified by refass an attractive strategic add-on. erence to current market prices. The snag is that, precisely because Such a "justification" would be not there is not much overlap, combinonly illogical, since the share prices ing CU's and Allianz's activities

would create little value to offset the premium Allianz would have to pay. Of course, Allianz could still make a move in order to wrest back the title of Europe's biggest insurer from Axa. But its own shareholders would probably regret it.

A far more sensible alternative would be a Royal Sun Alliance style merger of CU with another UK insurer. If such a deal did emerge, without CU paying a fat premium it could make powerful sense. Not only would there he benefits from cost-cutting but CU's rivals could also do with a dose of its level-headed management. Still, CU's shareholders had better hope It does have a deal up its sleeve. Otherwise, at a premium of 15 per cent or more to net asset value, the shares look vulnerable to disap-

FKI/Newman Tonks

Newman Tonks will be bardpressed to escape FKI's clutches. The architectural bardware group has performed so dismally in recent years that even M&G, which normally backs incumbent manage ment, is supporting FKI. Given that M&G has irrevocably committed its 11 per cent stake to FKI, it could even be hard for Newman to lever the price up; white knights will be deterred by the fact that the largest bloc of shares is already spoken for.

For FKI, the proposed acquisition looks strategically sound. It is a fair bet that the engineering group's management can boost Newman's margins; even if FKI can only partly narrow the gap between Newman's 6 per cent margins and its own 16 per cent margins, there would be a healthy increase to earnings. There should also be benefits from combining Newman, which is strong in Europe, with FKI's hard-ware business, which is mainly located in the US: factories could be rationalised and products cross sold, while the enlarged operation would have greater pricing power. More broadly, the bid marks a further step in PKTs transformation from a ragbag of scattered engineering businesses into several focused international divisions. The mate-

rial handling and electrical engineering operations already have near-critical mass; if the bid succeeds, the same will be so of the hardware business. That leaves FKT's automotive division as the only sub-scale division. As its next step, FKI should consider beefing it up or selling out.

This announcement appears as a matter of record only

December 1996



Amper, S.A.

has sold an 80% stake of Amper Electrónica Aragonesa, S.A. (Amper Elasa) and a 10% stake of Amper Datos, S.A.

> to Siemens, S.A.

Santander Investment acted as Financial Advisor to Amper, issuing a "Fairness Opinion"



Santander Investment

Europe today

Temperatures will stay below freezing in Scandinavia. Westen Europe will be milder. An area from the UK across the Benelux into Germany will be very cloudy. England and Scotland will have outbreaks of rain. Western France, Portugal and Spain will have cloud and rain. The Alps, Poland and western Russia will also hava plenty of cloud with some snow in Russia. South-eastern Europe will have some cloud and showers. Italy and the Balkans will be mainly dry.

Five-day forecast Cloud and rain will continue to sweep across most areas. The Alpa will have snow at high altitudes. Western Europe and the UK will stay mild and rainy, but cold air will move south by the end of the week.

Lufthansa

No global airline has a younger fleet.

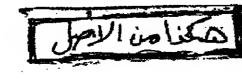
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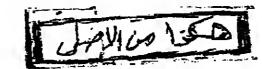
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FINANCIAL TIMES COMPANIES & MARKETS

PAPERBOARD

OTHE FINANCIAL TIMES LIMITED 1996

Wednesday December 18 1996

IN BRIEF

Skandia drops out of merger

Skandia, the leading Nordic insurer, has conceded defeat in its quest to merge with Stadshypotek, the Swedish mortgage bank. It said it had withdrawn its offer because of lack of support from the Swedish government - Stadshypotek's biggest shareholder. The government favoured a rival bid by Svenska Handelsbanken.

Murdoch spures French satellite move Rupert Murdoch's News Corporation has turned down an opportunity to join a consortium in France about to launch a digital satellite service to compete with Canal Plus, the established subscription TV service. It is believed News Corp was in talks to take a possible one-third stake in the project for more than \$200m. Page 22

Owens-lilinois buys 75% of Avir Owens-Illinois of the US is set to become Europe's second-largest manufacturer of glass containers after its purchase of 76 per cent of shares in Avir of Italy. Milan-based Avir has about 50 per cent of the Italian market in glass containers. Owens will launch e tender offer for the 21 per cent of shares which are publicly owned and quoted on the Milan stock market. Page 25

Eurotherm expects profits downturn Eurotherm, the UK industrial controls manufacturer, is expecting sterling's strength to knock slightly more than 5 per cent from pre-tax profits this year. The UK contributed less than a quarter of the group'e total sales in the year to October 31. Page 26

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italy to sell 60% of alling bank The Italian treasury said it had kicked off a 1.977 trillion lire capital increase for troubled Ranco di Napoli. It said it had begun the under writing for the operation, designed to recapitalise the alling bank which it took control of after it unveiled record losses of L3,120bn (\$2bn) in 1995. The Treasury is auctioning off a 60 per cent stake in the bank, the biggest in southern Italy. Italian insurer INA said earlier it was preparing a bid together with state-controlled Banica Nazionale del Lavoro.

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Market Statistics Annual reports service

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http://www.FT.com

Goldman's pre-tax profits for

Telefónica secures CRT stake

Consortium pays \$656m for 35% of Brazilian telecoms company

By Geoff Dyer and Jonathan Wheatley in São Paulo and Tom Burns in Madrid

consortium including Telefónica Internacional of Spain became the first foreign group to take an operating stake in Brazilian public telephony yesterday when it bought 35 per cent of CRT, an operator in the southern state

of Rio Grande do Sul. The R\$681m (\$656m) sale erument. marks the start of a process that the federal government hopes will attract \$100hn of

pações, Citicorp of the US and operators CTC of Chile and Telefónica de Argentina, beat a rival bid from a consortium including Stat of Italy. Telefónica'a bid was 54.8 per

cent higher than the minimum

sale price of R\$440m. Operating control of CRT will be shared between the Telefónica consortium and the state gov-Telefonica's successful bid is an important lift for the Spanish telecommunications group

is already the dominant foreign telecoms operator with key industrial stakes in Argentina, Chile, Peru, and Vene-

Telefônica's winning bid was just R\$4m more than that of Embratel, the long-distance Stet of Italy.

"We are delighted," said Telefónica in Madrid. "CRT is exactly where we want to be; a frontier zone with lots of potential corporate crossborder growth with Argentina and with Chile.

We are bringing telecoms to Mercosur [the free market zone in Latin Americal." The Brazilian federal govern-

ment hopes the sale of the rest

Hitting the target

which also includes local further raise Telefonica's pro- of the industry will start next by the end of 1998. Telesp, the investment group RBS Partici- file in Latin America, where it year. It sent legislation to Congress last week setting out its plans which include the break up of Telebras, the public holding company, into four regional units, and the sale of eubsidiaries such as

> Mr Sérgio Motta, the communications minister, said each of the four regional companies - São Paulo, south, north-east and north - would be bigger than any other Latin American telecoms company.

He said he hoped Congress would approve the legislation by the end of the first quarter of next year and that the privatisation would be completed

São Paulo company, and Embratel would be cold in

Analysts said this was an extremely tight timetable for such a complex privatisation. They also predicted the bill could be delayed in Congress because it coincided with voting on a constitutional amendment to allow the president to etand for reelection.

Many of the hig internetional telecoms companies are preparing to invest in the Brazillan market and about 20 consortia have been formed to bid for B-band cellular services, which are to be sold separately.

India bows to foreign critics of non-voting shares plan

By Tony Tassell in Bombay

The Indian government has dropped a controversial proissue non-voting shares follow-ing criticism by foreign institutional investors.

Mr P. Chidambaram, the finance minister, has withdrawn an amendment to India'e Companies Act which would have allowed companies to issue up to 25 per cent of their equity capital in nonvoting shares.

The proposal, announced in July's national budget, was widely seen as a sop to India's family run businesses to offset the effects of takeover regulations to be introduced early next year. These are expected to see family-run companies become more vuinerable to hostile hids.

The proposal would have allowed such companies, many of which in turn control corporate empires through complex webs of minority shareholdings, to raise funds through equity issues without diluting family control.

However, foreign investors were concerned about an emasculetion of minority shareboldere' rigbts, en increase in the cost of capital following higher dividend payments on such stock to compensate for lack of voting rights, and e reduction in the accountability of management. Mr Gul Teckchandani, the chief investment officer with Sun Foreign & Colonial Asset Management, said the Indian government's move to drop the non-voting shares proposal showed it was responsive to

market concerns. Mr Teckchandani said there were few plans to actually issue non-voting shares by investors. Analysts said any company that proceeded with such an issue would have been "severely punished" on

the stock market.

Mr Vijay Advani, the president and chief executive of Templeton Asset Management (India), said the move was a "welcome step" that would receive a "thumbe-up" from foreign investors. He said nonvoting shares were open to abuse from controlling shareholders and the creation of two classes of equity reduced the

investment during the next six as it prepares for full privatisation early next year in years as the country's telea global offering worth some phone network is restructured The Telefónica consortium. The Brazil acquisition will Goldman Sachs

By Tracy Corrigan in New York

investment bank partnership on Wall Street, yesterday reported record 1996 revenues. though profits fell just short of the high reached in 1993.

mance, particularly in the fourth quarter, is likely to fuel expectations that some other US investment banks, most of which have a December yearend, will report record profits when they announce full-year results next month.

Conditions to all the main financial markets have been particularly favourable this year, sparking bectic activity in bond and equity underwriting and mergers and acquisi-

Goldman said bonuses fund management. announced to staff last week added: "We were generous and I think our people are happy." However, its strong performance means its 200 partners will reap multi-million dollar rewards in years to come from the profits added to the firm'a

the fourth quarter, which ended on November 29, were 68 per cent higher than for the same period last year, at \$743m. For the full year, Goldman reported pre-tax profits of

quarter performance was very strong with all divisions contributing across the board to profitable results for the quarter and for the year." Goldman does not report

earnings by market sector but said its earnings were "more diverse" than in previous years. It has historically been viewed primarily as an equities specialist but has recently built up its businesses in bonds, emerging markets and

In the US, Goldman looks set would not break records but to be the biggest underwriter | but the acrobatic gun-toting domestic equities, according to Securities Data, helped by large transactions such as Dentsche Telekom's IPO. It said virtually every division of the firm had had either its best or second best year ever. Goldman ended the year with about \$5.25bn of capital, up from \$4.9bn last year, and

Diversification, Page 25

of initial public offerings and heroine of Tomb Raider is one of the hottest electronics products this Christmas.

Sony's North American compnter entertainment unit revealed yesterday that sales of hardware and software for the video games machine have already topped \$1bn this year. That includes sales of the

Arts and UK-based Bidos machine costs £199 (\$330) and which created Tomb Raider. this month that more than 10m PlayStation units had been sold so far, including 4.2m in Japan, 3.45m in the US and 2.35m in Europe.

In the US, where the CDbased machine sells for \$199, Mr Kaz Hirai, an executive at Sony Computer, said: "Revenues have far exceeded our initial expectations. We entered this market one year ago and now we are the undisputed worldwide leader." Sales in Britain, where the

games an average £40 each, Worldwide sales figures will are also strong, helped by the be considerably larger. Sony delay in the arrival of the Computer Entertainment said rival Nintendo 64 system, available in Japan and North America but not to be released in Europe until Easter. Apart from Tomb Raider,

other top-selling titles include Formula One from Psyignosis and Sony's own Crash Bandi-For sheer excitement, how-

ever, Tomb Raider - in which - is hard to beat.

Lara is hired to recover pieces of an ancient artefact, dodging wolves, flesh-cating dinosaurs and booby traps in the process liquidity in a stock.

OPENING DOORS to performance

For the fifth consecutive year CVC has been confirmed as the leader in continental European management buy-outs by KPMC Corporate Finance. With more than £1 billion under management and

in excess of \$1 billion available for investment, CVC is one of Europe's most powerful buy-out houses.

LET'S TALK

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CVC CAPITAL PARTNERS

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PlayStation sales revenues reach record \$6.1bn 4.2 3.45 \$2.61hm, up from \$1.37bn last year, and just \$50m short of the 1998 record. Revenues for Goldman Sachs, the largest the year reached a record \$6.14hn, up from \$4.48bn last 2.35 year and from \$5.76bn in 1993. Expenses also rose, however, to \$3.5hm this year, up from \$3.1bn in 1995. Goldman's strong perfor-Mr John Thain, chief financial officer, said: "Fourth-

Lara's a winner for PlayStation

By Paul Taylor

Lara Croft may not look or dress much like Santa Claus, helping turn Sony's Play-Station games console into

consoles, Sony software and other licensed software from companies such as Electronic

Barry Riley

9,000 staff, up from 8,200 a year

Rewards for straying beyond the fringe



better year than their clients. By that I mean it has been fairly easy to outper form the bench-

marks, but the latter have been sluggish, with the J.P. Morgan Global Government Bond Index, for example, showing a total return (in dollars) of only 4 per cent. It has been a poor year for core markets: US Treasuries,

German bunds and Japanese government bonds together have weightings of over 60 per cent in the global benchmarks. Treasuries have returned only 3 per cent while the bunds and JGBs have been slightly negative in dollar terms, although modestly positive in local currency. Pity, in particular, the unhedged British investor in Swiss franc bonds.

Global bond fund managers have had the opposite problem this year to their counterparts managing equities. The latter should have been overweight in US stocks and they got it badly wrong. The bond managers needed to underweight Treasuries but overweight the dollar, and generally they appear to have got it at least

partly right. End-September data from Frank Russell's fixed income performance universe showed the JPM index stranded in the fourth quartile after nine months. The median manager was outperforming at that stage by about 130 hasis points. The rolling 12-month returns showed outperformance of more like 250.

Global hond Global managers have been managers have light of dollar bonds and have JGBs (quite a few had none at all through summer), though they have been close to neutral on the yea. The great feature of 1996, however, has been the opportunity to pick up extra return in peripheral mar-

kets - the riskier the better. Thus dollar returns have ranged from 13 per cent in Spain to 19 per cent in Austraha and 28 per cent in Italy. With the dollar up 7.5 per cent against the D-Mark this year, local currency returns have often been slightly higher. And those fund managers who

The great feature of 1996 has been the opportunity to pick up extra return in peripheral markets

strayed outside the baker's

dozen of developed countries represented in the global indices could have picked up over 30 per cent on Brady bonds. In Europe, this outperformance by the periphery has been associated with the political moves towards a single currency. But is it as simple as that? Merrill Lynch's Market Cycles Bulletin points out that the yield spread between Australia and the US has collapsed exactly in line with the spread

between Spain and Germany. The narrowing of spreads is a bull market phenomenon except that there has scarcely been a bull market this year in

less, short-term interest rate spectacularly underweighted movements have been helpful. There is a close connection with events in the foreign exchange markets. Earlier in the year, risk-seekers in the currency markets were becoming very aggressive, says Avinash Persaud, currency strategist at J.P. Morgan in London.

Now his Risk Appetite Index is falling and it characteristically swings all the way to negative, which in present conditions would reflect fears that the interest rate climate will become less benign in 1997 if the global economy ecceler-The risk-seeking drive is a

liquidity-driven phenomenon In global bonds the big markets are constrained by domestic value considerations, such as minimum actuarial require ments for yield, and it is difficult for US Treasury yields to be driven very far below 7 per cent, or bund yields much under 6 per cent. Excess global demand there

fore tends to be concentrated in peripheral markets where risk premiums can be reduced a convergence which can eas ily be rationalised by bullish traders. The question then is whether the spreads will eventually snap back savagely to roughly where they were before - as happened with Bradys after the bond market crash and Mexican crisis in 1994 - or whether some genuinely new factor applies, note bly the prospective absorption of various weak European cur-

rencies into the euro. A more discriminating attitude to risk is likely to be

tanter investment

Per Thurs . 4

Skandia abandons Stadshypotek offer

By Greg McIvor in Stockholm

22

Skandia, the leading Nordic insurer, yesterday conceded defeat in its quest to merge with Stadshypotek, the ernment, Stadshypotek's biggest shareholder, which favoured a rival bid by Sven- dia chairman, said the comska Handelsbanken.

way for Handelsbanken, the

(\$3.35bn) bid, Sweden's big- bid from Handelsbanken. gest cash offer.

The announcement prompted the board of Stadehypotek and Sweden'e small shareholders' association, which had both backed Swedish mortgage bank. It Skandia's offer, to back Hansaid it bad withdrawn its delebanken. Skandia's offer because of lack of sup- shares rose SKr2.50 to port from the Swedish gov- SKr192 and Handelsbanken eased SKr4 to SKr190.

Mr Sven Söderberg, Skanpany had decided from the The withdrawal paved the outset it would not raise its offer, worth SKr21.1bn at country's largest bank, to yesterday'e closing prices. win full shareholder accep- There was "no sense in tance for its SKr22.9bn continuing following the

He said he had no regrets over Skandia's strategy of bank's substantial capital pre-empting the government's auction of a 34 per cent stake in Stadshypotek a move which deeply operations, AFS. angered Mr Erik Asbrink, Sweden's finance minister.

Skandia's failure to complete the merger is a blow for Mr Lars-Eric Petersson, its chief executive-designate, who spearheaded the deal. He said the company would seek other opportunities to participate in the restructuring of Scandinavia's financial services market. A tie-up with Stadshypo-

years. It insisted that financing of its expansion plans was not a problem and would not require a new One London-based insur-

reserves to fund expansion

of its fast-growing interna-

tional unit-linked assurance

Skandia had estimated

AFS's capital requirement at

SKr5bn in the next five

ance analyst said the breakdown was good news for "There are potentially better behalf of foreign clients.

tek would have allowed routes for the company to Skandia to tap the mortgage sort out its capital needs to fund the international expansion," he said.

Separately, the Stockholm Stock Exchange said it would take no action against Handelsbanken over allegations that It had manipulated Skandia's share price. Handelsbanken was a big

net seller of Skandia shares after the merger announcement, prompting Sweden's Financial Supervisory Anthority to launch an investigation. The bourse said Handelsbanken had pri-Skandia shareholdere, martly sold the shares on

Douglas felt when we bought them, way back when," said

an engineer. "Now we will

But perhaps the biggest

terrific blow to civic pride".

saving it would accelerate

had boasted of the number

of Fortune 500 companies

based there. It still has

Anhenser-Busch, Trans World Airlines and Mon-

santo. But General Dynam-

lcs and Southwestern Bell

have moved out, and Boat-

men's Bancshares is being bought by NationsBank of

Still, Mr Richard Fleming,

president and chief execu-

ive of the St Louis Regional

Commerce and Growth Asso-

ciation, says the spirit of St

Louis is far from dead. The

economy is strong the city has added 43,900 net new

jobs since January 1995, and

unemployment is only 3.7

per cent, its lowest since the

current data series began 23

we have preferred to be Seat-

tle in this case? The answer is 'yes'," he says, "But we still have 21 Fortune 1000

based in the St Louis area.

which is an extraordinary

level for a community of its

"The bottom line is, would

Charlotte, North Carolina.

headquarters city.

all have on Boeing badges."

Frontier shares fall on revenue warning

By Richard Waters in New York

Frontier, until recently one of the fastest-growing telephone companies in the US, yesterday became the latest casualty of the upheaval in the country's telecommunications markets as it warned of a shortfall in its fourth-quarter earnings.

The news sent shares in the company into a tailsoin and dented the stocks of some other long-distance telephona carriers.

Frontier, the fifth-biggest US long-distance carrier, warned that its long-distance revenues for the final three months of this year would be "in the range of \$400m", well short of the \$496m of the preceding three months.

setback was the loss of the headquarters of a Fortune 500 company. The St Louis Post-Dispatch called it "a The warning reflects the intense competition that has broken out for long-distance customers, as well as the the decline of St Louis as a length of time and expense it takes to launch services Until recently, St Louis and win new customers as US telephone markets are

opened up. Based in Rochester, New York, Frontier's own local markets have already been deregulated, putting it further ahead than most other parts of the US in facing competition on a broad

News of the revenue slump sent Frontier's stock down by \$6%, or 25 per cent, in early trading, to \$19%. Shares in other small, fastgrowing telecoms companies, such as LCI and Tele-

port, also slipped.

Mnch of the revenne decline reflects the loss of business from Excel, a telephone reseller which bought capacity on Frontier's net-work wholesale and sold it on at discounted rates to its own customers.

Rather than lifting its profit margins as it sheds relatively unprofitable wholesale business, though, the company warned that its margins would fall as the volume of calls it can spread its fixed costs across

INTERNATIONAL NEWS DIGEST

Baloise pulls out of three markets

Baloise, the Swiss insurer often seen as a takeover target, is taking a SFr150m (US\$113m) write-down on its US insurance business and withdrawing from the insurance markets of Italy, France and Spain, where its market share is below 1 per cent. The company said its position in the US market was "completely insignificant" and it no longer regarded it as strategically important.

The company will also omit its dividend this year, but shareholders will be compensated by e one-off capital repayment of SFr80 a share. Last year the company paid a dividend of SFr47, which fell to SFr31 after tax. It estimated the impact of the capital repayment would be e reduction of about 3 per cent of its SFr3.1bn equity

Baloise is one of the best capitalised insurancecompanies in Switzerland. However, its return on equity is among the lowest and even if it meets its five year target of doubling net profits to SFr240m by 1998, it will still only be earning 8 per cent on its equity.

France Télécom eyes Spain

France Télécom yesterday became the first foreign operator to signal its willingness to enter Spain's basic telephony market and compete with Telefonica when it loses its monopoly next year. The French group signed an agreement with Banco Central Hispano (BCH), the domestic banking group, to form e consortium that will bid for Retevisión, Spain's state-owned signals transmitter, which the government launched as the second domestic telecoms operator earlier this month.

Deutsche Telekom and Sprint, the US operator, who partner France Télécom in the Global One alliance, are also likely to be associated with the venture. Spanish groups joining BCH in the consortium are expected to include the utilities Endesa and Union Fenosa, a number

of construction companies and local savings banks. The government plans to invite tenders for 60 per cent of Retevision at the begining of next year and the consortium led by France Télécom and BCH is likely to be the only one entering a bid. Tom Burns, Madrid Liberalisation challenge, Page 24

Kuok unit plans closures

Kerry Securities, part of the empire controlled by Malaysian tycoon Mr Robert Kuok, is to close offices and axe staff as part of e about-turn in strategy to focus on serving wealthy individuals rather than institutions. Some 40 staff will go, with the possibility of more following. It also plans to shut down a number of overses representative offices, including the related overses affiliate in London. The future of the New York affiliate is under review, as are the group's fund management activities. The moves follow a shake-up in the brokerage industry in Hong Kong, which has seen big staff turnover Louise Lucas, Hono and a restructuring of the sector,

Kimberly-Clark sells mill

Alliance Forest Products, an aggressive eastern Canada newsprint producer, is buying Kimberly-Clark's Coosa Pines pulp and newsprint mill in Alabama for US\$600m cash, effective in the first quarter of 1997. Alliance will expand its existing US customer base and its annual sales will reach about US\$700m. Robert Gibbens, Montreal

Boeing merger dents spirit of St Louis

hicbever way you approach St Louis, Missouri, the most prominent feature of the skyline is likely to be the shimmering steel of the Gatewey Arch, a soaring symbol of the city's hopes for the future.

But those hopes have been dented by Boeing's takeover of McDonnell Douglas: for Mac. es the company is known locally, is not just beadquartered in St Louis, but has been inextricably linked with the city's recent

history. St Louis has been closely essocieted with evietion since ballooning took off there in the early 19th century. An aeronantical competition was the highlight of the St Louis World's Fair of 1904, the event that inspired the Judy Garland film Meet

In 1927, Charles Lindbergh put the city on the international aviation map with his historic non-stop flight from New York to Paris in an aircraft called Spirit of St Louis. Although Lindbergh was not a native of St Louis, his mission was financed by local businessmen who were aviation enthusiasts.

McDonnell Douglas' links with the city began in 1939 when Mr James McDonnell arrived from Arkansas to set up a company making aircraft parts.

Mr McDonnell started the business on rented space with a handful of employees. But the second world war Aircraft Corporation. But



pany plenty of work, and

soon the McDonnell Aircraft

Corporation expanded into

the design and manufacture

of jet fighters. The company's biggest

Symbol of success: St Louis, with its famous Gateway Arch

the marriage did not work out as planned: the civilian side was left behind by Boeing (and later, Europe'e Airbus Industrie), while the military side was hit by the loss of some important contracts success came in 1958 when it and the end of the Cold War.

produced the first F-4 Phantom II, a phenomenally successful aircraft that became a mainstay of the US mili-Louis hard; in 1990 the military effort in Vietnam. tary division shed 16,000 McDonnell eventually sold workers in the city. More bad news came last month when the US Defense Departmore than 5,000 of them, making the company one of the giants of the world aeroment dropped McDonnell space industry. The Douglas part of the tion to build the Joint Strike operation was added in 1967 Fighter (JSF), described by when McDonnell acquired

All of these securities having been sold, this announcement appears as a matter of record only.

BIACORE

Biacore International AB

Global Offering of

the company as a "mustthe California-based Douglas win" contract. In spite of the setbacks,

McDonnell Douglas remains St Louis' biggest privete sector employer, with 23,000 workers. And the city yesterday was ready to look on the bright side of the takeover.
Although McDonnell

Douglas would lose its inde-

pendence, city officials said, Drastic cost-cutting set in as McDonnell Douglas' for-St Louis would become the headquarters of the comtunes declined, hitting St bined company's defence eystems division; no job losses were threatened; and the merger with Boeing meant St Louis would be back in the running to win Douglas from the competithe JSF contract.

Some workers at the McDonnell Douglas plant thought it ead that the McDonnell Douglas name would go. "It's the same way

Richard Tomkins declines.

News Corp turns down French move

Mr Rupert Murdoch's News. Corporation has turned down an opportunity to join a consortium in France about to launch e digital satellite service to compete with Canal Plus, the estab-lished subscription television service.

News Corp, it is believed, was in talks to take a onethird stake in the project for vision channel. France Telecom and the utilities group

Lyonnaise des Eaux. vision services in South

in the TPS consortium Broadcasting, the UK satelthe French football league, include TF1, the French tele-lite venture in which News A third consortium, the first consortium in the first consortium i Corp holds 40 per cent.

News Corp decided earlier Mr Murdoch, who has venture. Mr Murdoch joined partnerships to believed Canal Plus could launch digital satellite tele- not be dislodged from its leading position. Canal Plus America, Germany and launched its digital satellite Japan, looked carefully at service in April and has the project. If he had gone more than 100,000 subscribahead, the proposal would ers. It also has many movie have been put as a possible rights as well as the exclu-

AB group of independent television production compathis month not to join the nies, is also planning to launch a digital satellite ser-

vice in France. BSkyB will concentrate its continental Europeen operations in Germany where it is completing a deal to take 49 per cent of DF-1, the digital satellite television eervice launched by the

5.750.000 Ordinary Shares in the form of Ordinary Shares or American Depositary Shares 4,250,000 Ordinary Shares were offered by Pharmacia & Upjohn AB

> Global Coordinator Goldman Sachs International

> > International Offering 2,300,000 Ordinary Shares

This portion of the offering was offered outside of the United States by the undersigned.

Goldman Sachs International

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United States Offering 3,450,000 Ordinary Shares

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Stephens Inc.

December 1996



Swiss Industry and Technology

on Tuesday, February 4

For further information please contact John Rolley on Tel: +41 22 731 1604 or fax: +41 22 731 9481

Yasuda Trust and Banking (Luxembourg) S.A. US\$ 50,000,000 Floating Rate Guaranteed Notes Due 2000 with Fixed Rate Option Guaranteed by The Yasuda Trust and Banking Company, Limited

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 18th December 1996 to 18th June 1997 has been fixed at 5-99766% p.s. The coupon amount payable on 18th June 1997 will be US\$ 151.61 per US\$ 5,000 Note.

The Yasarda Trust and Banking Company, Ltd. London Agent Bank

FRF1.500.000.000

Compagnie Bancaire er Elghteen-Mouth Notes due 1997 Frontier Lagranders Martin Modes due 1997
For the period from Domember 12, 1986 to
March 18, 1997, the Notes will carry an
interest rate of 2-200-55 per August with an
interest mount of FRF 98.55 per FRF 10,000
Notes and of FRF 98.25 per FRF 10,000 Notes.
The microwark forcest recommendate with his

BANQUE PARIBAS

1996 to June 18, 1997 the
new rate has been fixed
at 4.3875 % P.A.
ext payment date: June 18, 1997
Coupon ar: 10
Amount:
XEU 22 for the
denomination of XEU 1 000
XEU 2216 for the
denomination of XEU 10 000
XEU 2 218 for the XEU 2 218 for the THE PRINCIPAL PAYING AGENT SOCIETE GENERALE
BANK & TRUST LUXEMBOURG

INSTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A., IONDON BRANCH ECU 158 600 000 FLOATING RATE DEPOSITARY RECEIPTS DUE 1997 ISIN CODE: XS0037981353

For the period December 18, 1996 to June 18, 1997 the

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EUROPEAN INVESTMENT BANK ESP 20.000.000.000 **Capped Floating Rate Note:**

Due 1.999

The notes will bear interest at 6,65313% per annum for the interes period 16 December 1996 (included) to 17 March 1997 (excluded). Interest: payable on 17 March 1997 will amount to ESP 1.682 per note.

Madrid, 16 December 1996 BANCO CENTRAL HISPANO Paying and Calculation Agent Banco Central Hispenoamericano, S.A.



The United Mexican States Collateralized Floating Rate Bonds Due 2019

25,500,000 HMC MORTGAGE ASSETS 102 PLC Class B Mortgage Backed Floating Rase Notes due March 2021 the Interest Period from Decembe 1996 to March 17, 1997, the Note

U.S. \$200,000,000 HSBC Americas, Inc. Floating Rate Subordinated Notes Due 2000

O CHASE

DECEMBER 18, 1996

CS FLEST BOSTON

In accordance with the provisions of the Notes, perior s hereby given that for the Interest Period 13th December, 1996 to 11th March, 1997, the interest rate will be 6.55625 per cent. for the Class A Notes, 6.80625 per cent. for the Class M Notes and 9.40625 per cent, for the Class

RMS I

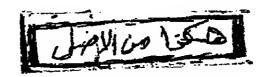
Residential Mortgage

Securities I plc

Mortgage Backed Flouring

B Notes. The interest payable on each denomination on 11th March, 1997 will be £158.07, £164.10 and £226.78 Banker Trast Company, Londo

1.7



Balaire pulle

In equities

Morgan means more staying power

More in 1896, more in 1996

own French mon



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INTERNATIONAL NEWS DIGEST

Sydkraft buys

Orebro Energi

COMPANIES AND FINANCE: INTERNATIONAL

Posco willing to help rescue Sammi Steel

By John Burton in Secul

Pohang Iron and Steel (Posco), South Korea's largest steel maker. yesterday said it may buy half the operations of Sammi Steel, the country's troubled leading speciality steel producer.

Sammi is offering Posco its special steel bar and seamless steel sales last year, to reduce its heavy suffer.

Sammi's share price, which has ity steel producer, with total

fallen recently because of speculation about its financial insolvency, Posco noted the Sammi divisions rose 7.9 per cent in Seoul yesterday, from Won3,170 to Won3,420. prospects. The purchase price and Posco shares fell Won900 to Won35,700.

State-run Posco said it was willing to belp rescue Sammi through the acquisition because the speciality steel sector was an important supplier to key industries, includpipe businesses, which accounted ing car companies. If it went bank-for half its Won1,000bn (\$1.2bn) rupt, the national economy would ing car companies. If it went bank-

Sammi is Korea's largest special-

offered for sale had good profit other terms of the deal will be decided later.

Posco would not only take over one of Sammi's main plants in Changwon, South Korea, hut also its two North American subsidiaries, Sammi Altas in Canada and Sammi Altech in the US.

Sammi would retain control of its cold-rolled stainless steel sheet operations, its main business. Although Sammi sales rose 32

strong demand for stainless steel products, it reported a net loss of as if Sammi was collapsing. Won39bn hecause of debt pay-

Sammi invested heavily in the early 1990s in purchasing the North American plants and importing an electric furnace facility.

However, it suffered a financial squeeze hecause of aluggish demand until 1995, with its debts rising to Won1,000bn.

a state rescue of Sammi. The South Korean corporate borrowers in Korean finance ministry, which is overseas markets.

per cent last year on the back of a main shareholder of Posco, has intervened before when it looked

The finance ministry arranged an emergency loan package for Sammi in 1992, when it seemed to he headed for bankruptcy after creditors initially refused to lend it more money.

Besides the industrial strategic importance of Sammi, fts bankruptcy now would further undermine a weak Seoul stock market. It Posco's involvement amounts to could also damage the image of

medium-sized municipal electricity provider. Sydkraft said the deal would provide a springboard for expansion into central Sweden from its main base in the south of the country. Mr Göran Ahlström, Sydkraft chief executive, said Sydkraft's aim was to have a national

The rapid consolidation of Sweden's energy market took

another turn yesterday when Sydkraft, Sweden's largest

independently-owned power supplier, announced the

SKr2.3bn (\$387m) acquisition of Orebro Energi, a

presence after deregulation of the Swedish power market in January. The company was one of four domestic mergy suppliers which placed bids for Orebro Energi Orebro Energi made pre-tax profits last year of SKr160m on sales of around SKribn. Sydkraft's pre-tax profits were

SKr2.5bn on turnover of SKr12.2bn. Sydkraft's shares rose

SKr1.50 to SKr127.50 yesterday. Greg Mclvor, Stockholm Santander in Colombia buy

Banco Santander said it has reached an agreement with Colombia's Grupo Bavaria to buy a 55 per cent stake in Bancoquia Commercial Antioqueno for \$151m. Prior to the acquisition, Santander said Banco Commercial Antioqueno would acquire 100 per cent of Invercredito, Colombia's market leader in consumer loans, and sell its stake in the Confinorte investment bank, as well as its shares in other affiliates. After the merger with Invercredito, Banco Commercial Antioqueno would occupy fourth place in Colombia's private banking sector, with assets of \$1.68bn and \$277m of shareholders funds, it said.

Indosat upbeat on profits

Indonesia's international telecommunications services provider PT Indonesian Satellite Corporation (Indosat) is projecting 1996 net income growth of 7 per cent to 9 per cent over 1995, Indosat's investor relations general

manager, Mr Budi Prasetyo, told analysts yesterday. Mr Prasetyo also said tha company projected 1997 growth in net income and earnings per share of 12-14 per cent over 1996. Indosat posted net income of Rp459.43bn (\$195m) and earnings per share of Rp443.68 in January-December 1995. In the first nine months of 1996. the company reported a net income of Rp361.6bn. compared with Rp342.9bn in the same period of 1995.

Growth slows at Wolford

Wolford, the Austrian maker of ladies' luxury tights; has seen a slowdown in growth in the first six months of its financial year. The group's net profits rose 9.4 per cent to Schios.9m (\$9.82m), while turnover rose 8.5 per cent to Sch829.3m. In the same period last year turnover rose 28 per cent.

The company, whose shares have been the best erformer on the Vienna stock market since they were juoted in February 1995, reported sales 134 per cent nigher in the US, 51 per cent higher in the UK, 33 per cent

righer in Scandinavia and 22 per cent higher in Italy. This was offset by lower sales in Germany, Austria and France, which account for roughly two-thirds of Wolford's sales. Branded turnover, which accounts for more than 90 per cent of sales, rose 10 per cent. Staff numbers rose by 195, to 1,525, and the group plans to donhle its number of Wolford boutiques in the second half of the year by opening another 100 outlets. William Hall, Zurich

Telefónica takes on liberalisation challenge

Spanish telecoms group must prepare for opening up of domestic market, writes Alan Cane

national telephone company, bears out analysts' arguments that the best value in quoted tele-communications companies is currently to be found around the Mediterranean.

The final stage in the privatisation of the company is expected next February. when the government's remaining 20 per cent holding will be on offer, with the smaller, domestic investor the chief target.

Its performance in the past few years virtually guarantees the success of the offering. The group's overall strategy, however, is under the microscope after the appointment this year of a new, young chief executive without telecoms experience, Mr Juan Villalonga.

His most controversial move to date has been the decision to set up what some see as a risky digital television joint venture with the German Kirch group, involving an investment of more

The group's financials, however, are robust, underpinning its spectacular share price improvement, From January to September 1996. revenues grew to \$11.48hn, an improvement of 13.3 per cent over the previous year, helped by a rise in cell-phone revenues and falling domestic interest rates. Income before tax grew 24.4 per cent to \$935.2m. Net income per

equally impressive. Closing at Pta2,935 yesterday, the stock has risen about 80 per cent over its value at the beginning of the year. Analysts estimate a price/earnings ratio of 14 for 1997, compared with 10.94 for British Telecom, 11.1 for KPN of the

Netherlands, and 13 for Por-The results are the signs of a transformation at the company which has seen the average waiting time for line installation reduced to about three days this year from 100 in 1993, and the average time for a line to be repaired fall from 18 hours to 12 hours

over the same period. The group still enjoys monopoly profits and has heen using them to make ample provisions for redundancies - 11,000 job cuts are planned by 2000 - and for substantial expenditure on marketing, International charges have been reduced by 25 per cent in the first tages of "rebalancing" long distance and local call

Much of the credit for these reforms must go to Mr Villalonga's predecessor, Mr Cándido Velázquez, who was replaced after the change of government in Spain earlier

However, Mr Villalonga. appointed chairman and chief executive in June, is not an obvious candidate for share, at \$1, rose 19.8 per the role. Aged 43, and with no direct experience of tele-

The performance of the coms, he came to Telefónica group's shares has been from Bankers Trust, where he was head of operations in Spain and Portugal.

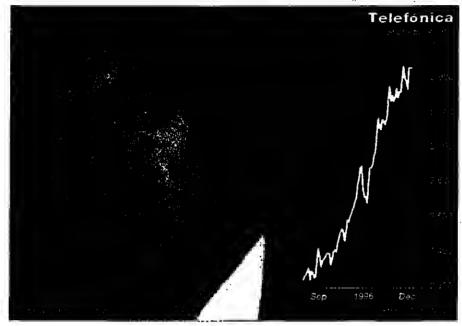
He is also a close friend of Mr José Maria Aznar, the Spanish prime minister, whose government has now agreed to liberalise the country's telecoms market on January 1 1998, in line with the rest of the European Union. Mr Villalonga's task is to define and strengthen Telefónica's position in a changing telecoms environment. "We will become a globally competitive operator with a leading position in Spanish-speaking

ha first challenge will be to sustain growth and profitability in the domestic market in the face of increasing competition after 1998.

Mr Villalonga accepts the group will lose market share in the long distance and international markets. where its rates are expensive by European standards. He believes, however, that it will find less competition in the local market, where it owns the local loop.

Call charges will undoubt-

competition and regulation, but an increase in volume will compensate, Mr Villalonga says. Spain, with only about 38 telephone lines per head of population compared with 45 in the UK, can clearly sustain reasonable



Mr Douglas Wight, tele- nant in South America Brothers in London, concludes in a recent research note: "Wa believe investors can look forward to annual earnings growth over at least the next three years of 15 per cent plus, to annual operating cash flow growth edly fall as a consequence of in excess of 5 per cent, and to substantial free cash flow generation."

Much will depend, however, on the group's performance in international markets and in new product areas such as multimedia and digital television. The group is already domi- ica's

coms analyst with Salomon through holdings in Peru Mr Villalonga plans to expand in North America and the Pacific Rim, chiefly through alliances, "We want to take minority positions with strong local partners but want a strong role in managing the alliance." Critics question the logic

of abandoning discussions with AT&T and GTE, which could have led to the US companies taking stakes in Telefónica's Latin American operations.

The other arm of Telefoninternational

operations is its stake in Unisource, a European alliand Chile, among others, but ance of small telecoms operators linked to WorldPartners, an international alliance led by AT&T.

Mr Villalonga denies suggestions that the company's relationship with its Unisource partners is strained or that he is talking to other potential partners.

He notes, however, that "we have to learn to work together", and recognises the importance of the right management at Unisource. "They have to daliver; if they don't deliver, we will



TRW AND MAGNA INTERNATIONAL FORM VEHICLE SAFETY SYSTEMS ALLIANCE



TRW Inc. and Magna International Inc. jointly announce the formation of a strategic alliance for design, development and production of automotive products for the global market. Under the alliance, TRW will lead development efforts in occupant restraint systems, including air bags; seat belts, inflators, sensors and steering wheels, while Magna will focus on complete vehicle interiors and total body systems.

As part of this strategic alliance, TRW and Magna will form and operate a technical center that will focus on total vehicle safety system integration and will support both companies in the development of systems and components.

TRW will purchase from Magna, as part of the alliance, an 80 percent equity interest in two Magna-owned operations: MST Automotive GmbH Automobil-Sicherheitstechnik (MST), a European supplier of air bag modules, steering wheels and other related automotive components; and Temic Bayern-Chemie Airbag GmbH (TBCA), a European supplier of air bag inflators and propellants and related automotive components. Combined, MST/TBCA operations employ approximately 2,500 people.

Before the transaction with TRW is completed, Magna will purchase from Temic Telefunken Microelectronic GmbH the remaining equity interest not owned by it in MST and the majority equity interest not currently owned by it in TBCA. Once Magna has completed these purchases, it will immediately resell an 80 percent interest in the two companies to TRW. The transactions are subject to required regulatory approvals.

"The TRW-Magna joint technical center directly addresses system-oriented design challenges and customer needs," said Joseph T. Gorman, TRW chairman and chief executive officer. "It promises to deliver significant benefits by incorporating some of the best engineering and technology available globally and will provide complete interior and structural vehicle safety systems solutions. This alliance brings together suppliers well versed in the needs, practices and priorities of all the vehicle makers in the world. It represents a new level of cooperation between independent

Magna president and chief executive officer, Don Walker, said, "In response to increased customer requirements for supplier cooperation and systems engineering assistance.

Magna and TRW have identified a number of opportunities to draw upon the complementary expertise of each company to serve better the needs of the customer, including reducing costs while enhancing performance. Customers will benefit from the joint support of the alliance's global engineering, manufacturing and distribution organization regardless of where the world's major automakers assemble their

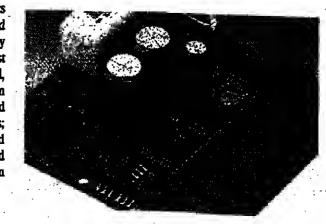
Frank Stronach, Masma chairman, and Gorman said the technical center is positioned to pursue the integration of seat belts and vehicle seating as well as to address the use of advanced electronics in vehicle interiors and body systems. This will generate new products that improve the safety performance of motor vehicles. The alliance will provide a high-quality total-vehicle perspective on design and development with a systems emphasis.

Magna is a US \$5 billion antomotive supplier, employing more than 35,000 employees in 120 manufacturing operations and 21 product development and engineering centers in 11 countries. Magna is one of the most diversified automotive suppliers in the world. Its products include exterior decorative systems; interior products, including seating systems, instrument and door panels; stamped and welded metal parts and assemblies; sunroofs; electromechanical devices and assemblies; and plastic body panels and fascias. In addition, through its recent acquisition of the Marley Automotive Components Group and the Douglas & Lomason Company, Magna has significantly increased its core interior panel and seating systems

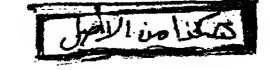
TRW is a US \$10 billion company with headquarters in Cleveland, Ohio, that provides advanced technology products and services for the automotive, space and defense, and systems integration markets. It employs approximately 63,000 people in 27 countries. One of the largest independent automotive components suppliers in the world, TRW's automotive product lines (with US \$6.5 billion in worldwide sales and 44,500 employees) include air bag and seat belt systems; electronic safety and convenience systems; electrical and electronic components; steering and suspension systems; engineered fasteners and plastics; and engine components. TRW will produce more than 13 million air bags and more than 50 million seat belts in 1996.











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ovartis, the drugs company being created by the coming

together of Basle-based

rivals Ciba and Sandoz, has

been presented as a merger

However, the centralised

management put in place by

Mr Marc Moret, outgoing

chairman of Sandoz, incress-

ingly appears to be winning

ont against Ciba's more

Mr Plerre Douaze, the ex-

Ciba man who is now head

of pharmaceoticals in the

ond most senior after after

Mr Alex Kraner, chairman,

concedes there were flaws in

Ciba's approach.
"Sandoz is more tightly

managed," he says. "At Ciba

there was too much empow-

erment and oot enough con-

trol. Our decisions may have

been better, but they were

Sandoz has performed bet-ter as a result, he says, cit-

ing the way the company

spun off its chemicals divi-

Splitting chemicals and

drugs husinesses is standard

practice, especially in the

UK and US. Sandoz was one

of the first continental Euro-

pean companies to take this

step, hut Ciba's divestment

is coming only next year.

and as a direct result of the

We hecame entangled

with epeciality chemicals,

while Sandoz was willing to

take drastic action," says Mr

devolved structure.

of equals.

slower."

sion in 1995.

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aff and the

COMPANIES AND FINANCE: INTERNATIONAL

Owens-Illinois expands | Novartis throws up clash of strategies with Italian acquisition

By John Simkins in Milan

glass containers after buying leave the management. 76 per cent of shares in Avir. of Italy.

The US glass and plastic bottle maker will also ers. It has an annual turnlaunch a tender offer for the 21 per cent of shares quoted oo the Milan stock market Its Italian subsidiary is buying the other 3 per cent in private hands. The total cost for 100 per cent of the shares is expected to he shont \$580m, to be financed initially by bank borrowings.

Owens-Illinois said on Monday night it had agreed to buy the 76 per cent of Avir shares from the controlling Maderna and Ricciardi families, including the cur- and Estonia, and has a subrent chairman, Mr Natale sidiary, United Glass, in the

Maderna. Although Mr UK. After buying Avir. its

Avir, based in Milan, has ian market in glass containover of about L1,100bn (\$719m) and had consolidated net profits in the year to the end of June of L105.1bn. Its main customers are producers of wine, beer, spirits and food, and it has 15 plants in Italy. It also has three plants in the Czech Republic, where it is market

leader, and two in Spain. Owens-Illinois, which was advised on the deal by Morgan Stanley, operates in Poland, Hungary, Finland

Franco Todisco, a member of share of the European mar-Owens-Illinois, of the US, is the Maderna family, will ket will be second only to set to become Europe's sec- become president of Avir, . that of St Gobain of France, ond largest manufacturer of other family members will its main competitor world-

On a multiple of approxiabout 50 per cent of the Ital- mately three times operating cash flow, the \$580m purchase price is regarded as valuing Avir fairly, considering that the Italian market has been showing slower growth and that the new organisation, and secstrengthening lira may affect exports.

The purchase is to be completed in the first quarter of next year. Owen-Illinois internetional operations will then contribute 40 per cent of the compa-ny's total sales, up from 28 per cent last year. Since 1991 it has acquired eight glass container companies serving

HK newspaper to close

in Hong Kong

Sing Tao Holdings, the Hong Kong poblishing and media group, yesterday announced group, yesterday announced was hit last year by the high it would close its evening cost of newsprint. "It is a daily newspaper, citing falling circulation and advertising revenues.

According to Sing Tao, which also publishes a morning Chinese-language newspaper and an Englishlanguage daily, the move will save about HK\$50m (US\$6.46m) s year. In the year to the end of March, the group recorded a net loss of

the latest upheaval in the Hong Kong newspsper industry, which is emerging from a price war and which sign that management in the industry has become more concerned with efficiency", said Ms Cara Eio, media analyst at Merrill Lynch in

Hong Kong. Earlier this year, the Oriental Press group announced language Eastern Express. Two Chinese-language dailies closed last year follow-HK\$146.6m, against profits of ing the launch of a price war publicatioo*, the company HK\$286m the previous year. in which the Oriental Daily said.

price from HK\$5 to HK\$2. Prices of the main newspa-

cent lower than a year ago. However, the Sing Tao Evening Post has failed to recover lost ground. A relaunch six months ago stabilised sales at about 20,000

copies, but there has been no increase in advertising revethe closure of the English- nues. "Accepting the forecast that the business will not improve, the board of directors decided to suspend

The announcement marks News, the territory's biggestselling newspaper, cut its

pers have now returned to previous levels and the cost of newsprint is about 40 per

> Dougze. Mr Daniel Vasella, formerly chief executive of division and now Novartis companies were cautious -

autonomy and they were loosely organised in their administration," he says. There were too many paper shufflers who wrote reports no one read. More seriously, while top manegement's ideas might have been good. they were not always implemented."

With Ciba and Sandoz executives agreeing that the Sandoz wsy will he the Novartis way, more internal changea sre imminent. Sandoz had s project management department whose role was to co-ordinate decisions made by others, while Ciba had project managers allocated to individual projects, with much more decision-making power. The Sandos approach is being

adopted at Novartis. in the past Ciba's partner-Sandoz pharmacenticals ships with biotechnology

example. Sandoz was more prepared to take control, as it did with US companies Genetic Therapy and Syste-

The ceotralising of power in the hands of Novartis top management, combined with SFr9bn (\$6.8bn) net cash in the new company, makes Mr Vasells one of the most powerful men in the global healthcare industry.

"We'll have s cash-genersting machine, hut we do not want to become a bank," says Mr Vasella in a clear reference to Roche, the other Basle drugs company, which manages its cash pile as a

So what will Novartis do suggests two possibilities.

counter (OTC) medicines.

chief executive, has little it took only s minority stake the lives of their products sympathy with the way Ciba in California's Chiron, for after patents expire. Tagamet, for example, made by the UK's Smithkline Beecham, is a low-dose version of a prescription-only ulcer drug whose pateot has

By region

Healthcare sales

Total SP11.9by

Such consumer medicines eccount for just 10 per cent of Novartis' sales, compared with 75 per cent for its pharmaceuticals division. The second possibility is to

buy in products that are completing their clinical trials. Such drugs may have been invented by biotech companies, which lack a sales and marketing infrastructure, or hy Japaoese drugs companies, which usu-ally licence their invections to western drugs companies to sell outside Japan.

in the long term, there with its money? Mr Vasella may also be divestmenta beyond the spin-off of Ciba's The first is over-the- chemicala arm next year. says Mr Vasella. But he may Many big drugs companies bave to deal first with are looking to OTC to extend short-term problems.

drugs have been hit by the taren, the anti-inflammatory drug that is Ciba's best-selling product, with SFr1ho in sales for the first nine

months of 1996. This can be compensated. says Mr Vasella, by rapid sucb as Diovan, a heart drug, and Lescol, which cuts cholesterol levels. This means expanding the sales

Mr Vssella has another reason to add staff during a merger in which 12,000 jobs are to be cut. "We have recruited 435 more sales people io the US." he says. "Why? It sends a message that creates confidence and stability in the workforce." Mr Vasella may need his charm as well as bis power to motivate a staff wary of the new orders emanating

from the ceotre.

Daniel Green

Goldman Sachs puts its money on diversification

strategist Ms Abby ✓ Cohen - one of the rare souls on Wall Street mutual fund business". who called this year's strong Sachs is still feeling bullish.

in 1997, Wall Street's largincrease staffing by up to 10 focus on building its Asian operations and developing its asset management busi-

In an interview last week, Mr Jon Corzine, Goldman chairman, said the firm wanted "greater reach and scope" throughout its core husinesses. "We feel our franchise is stretched" in the US and elsewhere, he added.

Goldman employa 9,000 staff worldwide, fewer than either of the other two leading US investment banks (Morgan Stanley has 11,500 employees: Merrill Lynch, with its brokerage husines substantially more). It cnt back more aggressively than most after the mini-crash of

Goldman's biggest investment will be in developing ness, which has nearly \$100ho of assets under management. Mr Corzine said he "will be disappointed if we don't double that in the next two years". in the past year, Goldman has hought CIN Management in the UK and Liberty Investment Management in the US. As well as

ike its feted market expanding its institutional notable exception to this strategist Ms Abby business, Goldman also aims rule, due to the importance

market rally - Goldman more attention on the devel- son noted. oping Asian markets, where it is less well established est partnership plans to than in Europe or the US. "Asia's high growth rates the US, Mr Corzine said that per cent, with a particular should drive a wealth of although such an acquisition financial opportunities," believes Mr Corzine, who added that the appointment this year of "one of the most talented people at the firm [Mr John Thornton] to run the Asian business sends a real signal about the value we place on that region".

> rior to 1994, Goldman had said that 75 per cent of its focus in Asta (outside Japan) would be in China, but in retrospect "the pace of development probably didn't justify that," Mr Corzine admitted. Mr Henry "Hank" Paulson, vice-chairman, said he had recently made a six-day trip to Delhi, Singapore, Beiling,

Taipei and Hongkong, which illustrates the scope of the firm'a interests in Asia outside Japan. Goldman will continue to operate the "hub and spoke" model which is the rule in Europe and America, where core activities such as research and corporate finance in London and New York feed local offices in continental Europe and Latin America. However, Frankfurt is already a

"to build a world-class of the German economy, and there may be similar The firm will also focus instances in Asia, Mr Paul-

Commenting on recent reports that the firm is considering buying a bank in is "not on the active agenda, we are reviewing the issue and looking for the best ways to maximise operational and capital efficlency". But he pointed out that the firm is already moving into areas traditionally associated with commercial banking business. Mr Corzine cited Goldman's shift into areas such as leveraged finance and junk

US investment banks have been facing growing competition and margin pressure from European universal banks and US commercial banks such as Chase Manhattan, which under current rules are allowed to make 25 per cent of their revenues from investment banking activities. Goldman'e interest is limited to the whole sale banking business. Mr

Corzine said. According to Mr Paulson Goldman has "really worked to build up some diversity in its busine the spread will widen

Tracy Corrigan

Anticipation is the basis of opportunity.



Unique insights srem from unique knowledge. Knowledge that often comes from long-term, committed relationships. This was the case with Bankers Trust and Teléfonos de Mexico, S.A. de C.V. (Telmex), Mexico's premier telecommunications provider. It was our long-standing relationship that allowed us to understand and anticipate Telmex's need to raise capital by arranging a short-term financing solution that was both cost-effective

and quickly executed. More importantly, it was our relationship that allowed us to uncover a market opportunity that others had not yet anticipated. Our extensive structured finance expertise, our insight into the international capital markets and an understanding of our clients' objectives enabled us to creatively structure this deal. The combination of the investment grade rating, short-term maturity and desirable yield made the securitization very attractive to a large group of investors. So attractive, in fact, that although the transaction was initially sized at \$200 million, market appetite was so strong that it allowed Telmex to increase the size of the financing to \$280 million. We welcome the opportunity to discuss how we can develop equally innovative solutions to your financial challenges.

LEADING WOMEN'S SPORTSWEAR COMPANY FOR SALE

Orbit Industries, Inc., a nationally recognized manufacturer and importer of branded wor

For 35 years, the Company has provided its customers with high quality apparel at value price points and has had a consistent record of profitability throughout its history. The Company filed a voluntary petition under Chapter 11 of the Bankruptcy Code in June of 1996 and continues to operate its business

The Company has total assets of \$24 million, current order bookings of \$10 million and 1997 projected net sales of approximately \$50 million. The Company's key brand Season Ticker achieved \$50 million in sales in fiscal 1996. The Company's key customers include a number of major national retailers.

The minimum price for the Company is set at \$10 million and written offers must be submitted by \$500 p.m. EST. Priday, January 10, 1997. Offers will be subject to the signing of a definitive contract, bankruptcy court approval, and other terms and conditions to be discussed. For more information please contact: Blair Jacobson at Butler, Chapman & Co., Inc., 609 Fifth Avenue, New York, New York 10017. Telephone: (212)508-0200, Telecopier: (212)508-0217.

Ambroveneto International Bank Ltd US\$ 150,000,000 Floating Rate Notes due 2004

in accordance with the Terms and Conditions of the Notes. notice is hereby given that for the Interest Period from December 17, 1996 to March 17, 1997 the Notes will carry an nterest Rate of 6.17578 % per annum.

The Coupon Amount psyable on the relevant interest Payment Date, March 17, 1997 will be US\$ 15.44 per US\$ 1,000 principal amount of Note, US\$ 154.39 per US\$ 10,000 principal amount of Note and US\$ 1,543.95

per US\$ 100,000 principal

The Agent Bank Lucembourg



BANK OF GREECE LIS\$500,000,000 Floating rate notes 1998 Notice is hereby given that the notes will bear interest

at 6.29297% per armum for the period 18 December 1996 to 18 March 1997. Interest payable on 18 March 1997 per US\$1,000 note mill or

Agent: Morgan Guaranty Trust Company **JPMorgan**

COMPANIES AND FINANCE: UK

Smaller engineers vulnerable to approaches

By Tim Burt

A surge in takeover activity (\$83.8m) offer for instruamong smaller engineering companies was predicted by some of the UK's leading tive institutional shareholders and investment banks following the launch yesterday among smaller rivals. of two hostile takeovers in the sector.

suggested that FKT's £195.7m switch to growth stocks (\$321m) bid for Newman away from the engineers.

hardware company, and recent rise in sterling." Fairey Group's £51.1m ments manufacturer Burnfield signalled that acquisimanufacturing companies were beginning to exploit falling valuations

PDFM, one of the largest investors in Newman Tonks, Several fund managers said: "There has been a Tonks, the architectural particularly those hit by the

The fund manager, never-

thaless, said it would be rejecting FKI's offer, claiming it did not fully reflect Newman Tonks' growtb One large investor in Newman Tonks said such compa-

nies were starting to look undervalued given the UK's robust 3% per cent growth forecast for GDP next year.

factors behind their offers.

Mr John Dean, of brokers of companies are now waking up to the fact that with falling valuations and promising UK demand, they can stump up a bit of cash and get their targets."

Mr John Llewellyn-Lloyd, FKI and Fairey, which chief executive of Closa both have large overseas Brothers Corporate Finance,

both cited the UK presence these companies are looking cited the need for internaof their target companies as vulnerable because their are finding it hard to make headway in a low inflation econ- Pifco Holdings has also Albert E Sharp, said: "A lot omy, and the strength of focused on overseas growth sterling is hampering their export efforts."

Ha also suggested that smaller engineering companies would be swallowed up in the move towards an international supplier base. Triplex Lloyd, the engi-

manufacturing interests, said, "More and more of group William Cook, has tional scale as a factor behind its 258m hostile offer. in its approach to Kenwood

Other investors said that some of the recent bid activtty had been prompted by the fear that an incoming Labour government could introduce tighter rules on

Fairey offers £51m for Burnfield

engineering company, yes-terday announced plans to expand its industrial electronics division by launching a £51.1m hostile bid for Burnfield, the measuring instruments manufacturer. writes Tim Burt.

The company warned. however, that it would only proceed if Burnfield abandoned its proposed £24m acquisition of LDS, a privately owned vibration

equipment group. Tha 1-for-4 share offer values tha target's stock at 145.5p and there is a cash alternative of 135p, underwritten by Charterhouse

jumped 36p to 136p. Burnfield, which only amnounced its proposed LDS acquisition last Friday, rejected the bid and accuse Fairey of trying to mislead its shareholders.

trying to deprive investors of the benefits of the recent restructuring at Burnfield and of the LDS acquisition. Mr John Poulter, Fairey's chief executive, said significant cost savings could be

group could capture 25 per cent of the global market. "We believe this is a generous offer and it's designed to achieve our takeover

objective," said Mr Poulter. Burnfield shareholders would also receive the 2.2p dividend promised by the company when it announced its offer for LDS.

Shares in Fairey eased

PowerGen may bid for Berlin utility

By Frederick Stüdemann in Berlin and Jane Martinson

PowerGen, the UK generating company, is considering a bid for control of Bewag, the Berlin utility company to be privatised early next year, in a deal which could cost DM2.5bn (\$1.6bn).

The purchase of part or all of the Berlin Senate's 50.8 per cent stake in Bewag would represent PowerGen's first move into the distribution and supply of electricity anywhere in the world. Earlier this year it was blocked by the UK government from bidding for Midlands, a UK regional electricity company. Mr Peter Hughes, manag-

ing director of the group's international operations. stressed yesterday that the deal was at a very early stage as it "was not clear what was being offered". A crucial issue would be the exact size of the stake

the city is selling. Mr Hughes said yesterday registered an interest. that PowerGen would ba "extremely unlikely" to make an offer without manmitted itself to selling 25.8 subsidiaries.

per cent of Bewag PowerGen is one of 28 companies being considered as a possible buyar for Bewag. The Senate, which is to draw up a shortlist, hopes to finalise a sale by the end of February.

Enron and Mission Energy of the US and Southern Electric of the UK are believed to be among foreign companies to have expressed an inter-

In 1995 Bewag had sales of DM4.2bn. BZW is the investment bank behind the proposed sell-off.

PowerGen already owns nearly half of Schkopau, a power station near Leipzig. and 33 per cent of the nearby Mibrag hrown coal company. Bewag services some 2m customers in a densely populated area which gives the

However, PowerGen face stiff opposition in any bid, not least from RWE, Veba and Viag, the powerful German utilities which have all

added advantage of short

Veba and Viag each already hold 10 per cent stakes in Bewag through agement control. So far the PreussenElektra and Bay-Senate has only firmly com- ernwark, their respective

Distribution arm lifts Securicor

By Motoko Rich

Strong growth in its distribution arm and a one-off gain in the insurance business helped Securicor offset falling full year profits in security, and losses on its communications side.

The group, which has a 40 per cent stake in Cellnet, the mobile telephone operator, yesterday reported a 8 per cent rise in pre-tax profits to £107.4m (\$176m) in the year to September 30. This included an interim contribution of £76.6m (£70.6m) from Cellnet, which has a March year-end.

Mr Chris Shirtcliffe, financa director, said the group was "not in any hurry to dispose of the stake" in Cellnet. Securicor offered this to BT - which has a 60 per cent holding - 18 months refused to lift its restriction on BT owning 100 per cent of Cellnet. Analysts thought it was likely Securicor would apply again within the next 12 to 18 months for permis-

sion to sell the stake.

Cellnet's results confirmed

tors Vodafone and Orange of a slowdown in the rate of decline in average revenue per customer. Cellnet's average annual revenues dipped 12 per cent to £346. The distribution division

the trend shown by competi-

increased pre-tax profit from £13.4m to £21m.

Security division profits dropped to £12m (£15m) as the cash services operation came under pressure from Security Express, its main competitor, which Securicor said had cut prices, to unsustainable" levels:

Mr Roger Wiggs, chief executive, said that since Security Express had been taken over by Securitas of Sweden tha prices had "returned to normal and our customers are coming back". losses of £4.5m (£2.6m profit) ago, but the government as the move towards consumer subscribers raised the group's bad debt profila accounting for a £4m charge

Communications had - and the company incurred start-up costs on the merger of its radio communications division with Intek Diversifled Corporation of the US.

15. 异物研究

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interm.

The Minister of Finance of the Republic of Poland

acting on behalf of the State Treasury pursuant to article 23 of the State-owned

Enterprise Privatisation Act ratified on July 13, 1990 (Journal of Laws,

Number 51, Item 298, including amendments made later)

hereby extends

an invitation to participate in negotiations

pertaining to the sale of 6,260,240 shares

of Bank Gdanski S.A. whose headquarters are located in Gdansk.

Bank Gdanski S.A.'s shares are traded publicly and are listed on the Warsaw Stock Exchange S.A.

The State Treasury currently holds 7,322,583 shares, which constitute 37,34% of its outstanding stock.

The subject of this invitation in participate in negotiations are 6,260,240 shares of common bearer stock

constituting 31,94% of Bank Gdanski S.A.'s outstanding stock. These shares have a nominal value of 2.5 PLN. They have been approved for public trading and are listed on the Warsaw Stock Exchange S.A.

All entitles interested in purchasing this stock may obtain information about Bank Gdanski S.A.

exclusively in compliance with the principles delineated in the provisions of the Public Trading of Securities and Mutual Funds Act as ratified on March 22, 1991 (1994 Journal of Laws, Number 58, Item

239 including amendments made later). In consideration of the above, the Minister of Finance shall not prepare an additional informational memorandum, nor will it provide any additional information about the

All entities interested in purchasing the stock which is the subject of these negotiations should submit a

first name, surname, personal identity card number or passport number, address of permanent residence

or for institutional investors: their name and headquarters as well as an excerpt from the register whose

furisdiction encompasses the investor's headquarters or some other official document that contains the

investor's fundamental data and on which basis the investor's legal status, method of representation,

and the name and surnames of those individuals authorised to represent the said investor may be

determined. If the investor is a foreign entity, these documents should be certified by a notary public or

a Polish diplomatic post or consulate and translated into the Polish language by a certified public

information about the investor's investment strategy in regard to the packet of stock which is the

an outline of a development strategy for Bank Gdanski that incorporates a discussion of feasibility;

information about the number of Bank Gdanski shares currently held and copies of the decisions issue

by the National Bank of Poland to purchase stock, based on the provisions set forth in article 78 of Banking Law as ratified on January 31, 1989 (1992 Journal of Laws, Number 72, Item 359 including

later amendments), insofar as the number of shares purchased predicates the necessity to obtain such

information about the origin of the funds to be used to purchase the stock in question and the proposed

Bids to purchase the entire packet of stock which is the subject of this invitation to participate in negotiations should be drawn up in the Polish language, signed by the person(s) authorised to represent the entity making the bid and submitted in person or via a messenger with confirmation of receipt in scaled

Minister of Finance Building located at 12 Swietokrzyska Street. Bids submitted after the deadline or in any way diverging from the one described above shall not be considered.

The Minister of Finance hereby informs all interested parties that the investor so selected shall be obliged to produce the decision issued by the National Bank of Poland giving approved to execute the rights from the

Bank Gdanski stock purchased from the State Treasury as well as the stock that the investor already holds before the bill of sale is executed (pursuant to article 78 of Banking Law as ratified on January 31, 1989).

The Minister of Finance reserves the right to refrain from entering negotiations, to undertake negotiations with selected bidders, to alter procedures, to annul this invitation and to withdraw from oegotiations without giving any reasons therefore.

Axiom Funds Management Corporation

Registration of Interest by Potential Purchasers

Corporation) Act 1996 (NSW), the Axiom Sale Committee has been established by the

A\$18 billion under management. The investment performance of its team over the period

peers. It is proposed that Axiom will be sold with an exclusive management contract, for

The Axiom Sale Committee is seeking expressions of interest from organisations with an

interest in acquiring Axiom. A proven track record in the funds management industry and

the financial capability to complete the purchase will be prerequisites for participating in

Expressions of interest for the purchase of Axiom can be registered by contacting Baring

from 1 July 1993 to 30 September 1996 compares very favourably with its Australian

Axiom is one of the two largest wholesale funds managers in Australia with over

Following the enactment of the Superannuation (Axiom Funds Management

a limited duration, over a substantial part of the funds currently managed.

New South Wales Government to oversee the sale of Axiom.

Brothers Burrows & Co., Limited by 10 January 1997.

Contact details are:

Sydney NSW 2000

Tel: (612) 9247 1222

Fax: (612) 9247 7040

Mr Jeff White, Director or

Level 9, 7 Macquarie Place

Mr Ian King, Associate Director

Baring Brothers Burrows & Co., Limited

clopes marked "Bank Gdanski - Do Not Open" by 12:00 noon on January 6, 1997 to Room 1064 in the

other information that the party submitting the bid considers to be of essence

written offer to purchase shares that contains the following information:

the price per share offered;

subject of these negotiations:

FKI in hostile £198m bid for Newman Tonks

engineering group, yesterday takeover by bidding £197.5m for Newman Tonks, Europe's largest architectural hardware company, writes Tim

FKI announced the hid after persuading M&G, New-man Tonks's largest institu-tional shareholder, to accept its offer. It is thought to be the first time the fund manager – normally a champion of axisting management -has backed a predator at the outset of a bid.

"We normally support management in such cases. But we have become disenchanted with the performance at Newman Tonks.

dend," said M&G. company seeking a recom mended offer last week. FKI which has spent

£260m on acquisitions in the past six months, said it planned to create a £500m hardware division with a market-leading presence in Europe and North America. Mr Jaff Whalley, FKI chairman, said: "This is a

tale of two managements. They have failed their shareholders and we have made a generous offer for a badly underperforming business." That was dismissed by Newman Tonks, which said

that FKI's offer failed to reflect the company's brand value and its prospects.

It also criticised FKI for only offering 134p a share at 196%p.

Eurotherm, tha industrial

controls manufacturer, said

vesterday that it could spend

between £50m and £100m

(\$164m) on acquisitions, as it

unveiled annual results at

the low end of expectations.

In its first formal state-

ment since this summer's

boardroom upheaval, in

which the chief executive

was first ousted and then

reinstated, the group

reported pre-tax profits 11

per cent higher at £37.7m in

The shares dropped 20p to

£38m-£40m range expected

of a strong pound also

prompted a number of ana-

lysts to downgrade forecasts

£2m off its forecast to

Eurotherm spent £300,000

on advisers fees in the

period because of the board-

room shenanigans. Mr Claes

Hultman, who was rein-

stated as chief executive in

the year to October 31.

by analysts.

The share and cash offer was pitched at 150p a share, with a cash alternative of 140p a share. Newman Tonks shares rose 20%p to 149%p.

"The management of New-man Tonks is promising jam tomorrow and asking shareholders to ignore the earnings and share price performance of the last five years," said Mr Bob Beeston, FKI chief executive.

It also announced a 2-for-13 rights issue, priced at 175p, to raise up to £152.4m to fund the cash alternative.

FKI shares closed off 3½p

August following a row with

Mr Jack Leonard, the

group's founder and former

chairman, said the problems

The group also announced

directors who had supported

Mr Leonard would stand

Sir James Hann, recently

review in September. This

group would take its time

spending its money: "We

have walked away from

However, he called the

group's £34m in oet cash at

the period end its "biggest

conditions should make also

acquisitions more "afford-

The current tough trading

were "behind us now".

annual meeting.

opportunities.

single problem".

able", he added.

RESULTS

for the current year. ABN about 20 opportunities in the

Amro Hoare Govett shaved past couple of years."

Eurotherm hits Shares in Burnfiald acquisition trail

> "Fairey is offering a knock-down price for Burn-field and its potential," said Mr Brian McGowan, chair-

yesterday that the two ramaining non-executiva He claimed Fairey was

down at the Fehruary appointed chairman in place of Mr Leonard, said tha achteved by integrating Burnfield's Beta laser gaug-ing and Malvern particla measurement divisions with group had "increased its emphasis on acquisitive growth" since a strategic 540p, as profits fell below the review had identified about its existing US operations in that area. By bringing the companies together he suggested that the enlarged "half a dozen" acquisition

1½p to 582p.

T&N steps up quest for German

acquisition

By Tim Burt

T&N, the motor components and specialist engineering group, yesterday stepped up its pursuit of Kolbenschmidt, the German pistons manufacturer, by extending its options over 24.99 per cent of the company.

The options, held on T&N's behalf by Commerzbank for the past two years, have been transferred to Metallbank, which has extended them until September 1997.

Der 1997.

T&N said the bank was holding them on behalf of an undisclosed group of European investors.

A further 25 per cent etake is expected to he transferred to another institution shortly, following By Paul Taylor Commerzbank's decision not to renew them at tha end of It will cost T&N

DM282.6m (\$179.6m) to exercise the options, giving it a 50 per cent stake, if it wins approval for the takeover. Transferring the tnitial trading software market, is 24.99 per cent option is expected to cost T&N £8m.

The UK group has been forced to "park" the shares with other institutions pending an appeal court hearing in February, which is expected to rule on the German cartel office's deciston to reject the proposed take-

The cartel office rejected the deal on the grounds that it would transform Kolbenschmidt into a captive customer for Goetze, T&N's owned software distributor, German piston rings maker. it does not already own.

(17.6) (1.71) (4.85) (1.64) (195.4) (51.1) (9.12) (0.673) (-) (105.3) . Yr to Sept 30 19.8 mills to Oct 31 1.35 mills to Oct 31 3.14 . Yr to Sept 30 1.77 ... Yr to Oct 31 206.5 6.084 1.1L (4.15) (0.683L) (0.593L) (0.227) (34.1) (6.16) (1.64L) (0.702L) (-) (12.2) (-) (99.4) (31.8) (3.21 (2.53L 0.184L 0.165 37.7 4.164 0.408 0.813 0.328L 9.11 _____ Yr to Sept 29 68.7 ____ 6 mids to Sept 30 18.9 ____ Yr to Sept 30 8.59 milities to Nov 30 0.011 — Yr to Sept 30 119.6 _ 6 miles to Oct 31 0.011 _ Yr to Sept 30 ★ 1,255 Bartog Emery Ear \$..... 2 mithe to Oct 31 124,81 (72.25) Close Brus Ventare.... 37 wis to Sept 30 94.9 (-) Invesco Asia 8 miths to Oct 31 ± 06.7 (118.74) 0.43 (-) 0.552 (0.35) 1.16 (1.17) 1.08 (0.884) 0.898 (0.708) ... 37 wis to Sopt 30 94.9 (.) ... 8 miles to Oct 31 \$ 18.7 (118.74) ... 8 miles to Nov 30 110.04 (107.65) ... 4 miles to Nov 30 183.3 (171.5) Earnings shown basic. Dividends shown not. Figures in brackets are for corresponding period. After exceptional charge. Watter obtain stock, \$USM stock, *Comparatives restated and cover 8½ months to October 31

Misys to buy **Summit Systems**

Misys, the largest UK-based software group, is to acquire Summit Systems, a financial derivatives trading software business based in New York. The deal, part of Misys' strategy to push into the

valued at \$60.5m, The vendors are Finance Information et Technologie, of France, which holds a 31.6 per cent stake; Mr Jean de Fontenay, one of the founders of Summit who owns about a third; and an

employee group owns the

Misys is also buying Finance Information et Technologie, and with it the 40 per cent of Quotient Systems, a French privately-

Quotient sells the Summit software package and a back-office capital markets package called C-Mark

Kapati International, one of Misys' existing subsidiaries. The deal comes just five waeks aftar Misys announced the acquisition of anothar New York-based software company, Frustrum, for £37.2m.

which is produced by Midas

Frustrum designs compnter programmes which allow banks to monitor the profitability and risk of activities, such as foreign exchange trading. Mr Kevin Lomax, Misys

chairman, said: "The acquisition of Summit Systems brings into Misys one of the leading software packages for derivatives trading.

New Jame / 18th December, 199

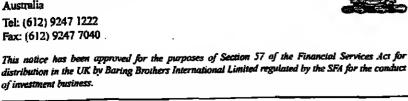
BPI Capital Finance Ltd.

4,000,000 U.S.\$ Series B Step-Up Floating Rate Non-cumulative Guaranteed Non-voting Preference Shares

BPI-SGPS, S.A.

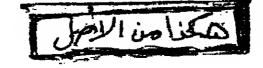
Copies of the listing particulars may be obtained (for collection only) during normal business hours until 20th December, 19% from the Company Announcements Office, the London Stock Exchange, Old Broad Street, London ECZN IHP and until 3rd January, 1997 (Saturdays and public holidays excepted) from Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London ECAY 0JP.

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INTERNATIONAL CAPITAL MARKETS

Signs of housing strength hit Treasuries

By Lisa Bransten in New York and Richard Lapper in London

pushed down bond prices in New York and dampened sentiment in most other markets, as the Federal Reserve left interest rates unchanged.

In Europe, prices drifted tember and October. lower in thin trading with prietary desks reported to be homes.

to a fall in prices in early ket Committee meeting with-trading with the yield on the out changing interest rates. westerday's slide. benchmark 30-year bond ris-ing to its highest level since expected any change in mon-

at 97% to yield 6.657 per rates in the early part of cent, while at the short end next year FOMC members of the maturity spectrum the did not issue any statement. BTP contract reached a high

two-year note fell & to 99% yielding 5.830 per cent. The

morning with modest losses ment. Signs of stronger growth in and then slipped further the US housing sector after the Commerce Depart terday's declines to e desire ment said that construction among portfolio managers to was begun on 1.5m homes in lock in gains, especially November, a 9.2 per cent increase that made up for in November. There is some nearly all of the decline in skittishness about lower housing starts seen in Sep-

Economists had expected many bigger traders such as the figure to have held hedge funds and bank pro- steady et about 1.39m

The Fed announced that it The US housing figures led had concluded its Open Marexpected any change in monetary policy, but economists At mid-afternoon in New are divided about whether market by domestic institu-York, the long bond was off the Fed might raise interest tions.

Mr John Spinello, a gov- in mid-morning of 129.13. ernment securities strategist March 30-year bood fell by at Merrill Lynch said there was no increase in activity Treasuries started the after the Fed's announce-

> He attributed much of yesgiven the market's strength [bond] prices eating into the returns of managers," he

> Concerns about new supply set to hit the market today and tomorrow, when the Treasury is to auction two-year and five-year notes,

In Europe, The Italian market started well with early buying in the cash

At Liffe, the London futures market, the March Analysts said that inves-

tors had been encouraged by the fact that the government had overcome some parliamentary opposition to its 1997 budget plans.

Further votes on the package are due to take place points to 94. this week.

Even eo, following the decline in the US, prices drifted lower later in the day 81 basis points. France and Germany both with the BTP contract settling et 128.29, down more than half a point. In the cash market the

Germany, which had narrowed to a low of 165 basis points by mid-morning, later widened back out to close 5 day repo rate, which usually basis points wider at 172 set the ceiling for market yields particularly closely basis points.
The Spanish market fol-

lowed a similar pattern with the March 10-year futures contract settling at 110.91, down 0.70, and the yield spread over Germany widen-

ing by 5 basis points to 117.

Sigma Finance(s) 100

New international bond issues

Among the "peripheral" the US market also dragged markets, however, Sweden down UK government bonds, bucked the trend, with the with the March long gilt local market buoyed by a contract falling by %, further cut in the repo rate to 10811. hy the Riksbank. Sweden's Japanese government 10-year yield spread over

by 5 basis points to 3.15 per

4.60 per cent.

omist at Nikko Europe.

102.20 Nov 2001 2.00

Crédit Local de France(s) 100 5.75 101.55 Dec 2003 1.875 BIL

Final terms, non-celleble unless stated. Yield apreed (over relevant government bond) at launch supplied by lead memager, ‡ Floating-rate note. R: fload re-offer price; tees shown at re-offer level, a) Fungible with SF1200m. Plus 41 days accrued, b) Fungible with FF12bn. Plus 69 days accrued, c) 1-mth Athibor -85bp. a) Short 1st coupon.

bonds were also knocked Germany fell by 8 basis back by the fall in the US. with the yield on the bench-Denmark also outpermark 10-year JGB No 182 risformed, with its 10-year ing in London trading by spread narrowing from 84 to about one basis point to 2.41 per cent.

Earlier in the day in Tokyo, the yield on the JGB lost about a third of a point. The markets found little had fallen by 3 basis points, with bonds benefiting from a encouragement from the 10-year yield spread over Bank of France's decision to fall in the local equity reduce its intervention rate market.

Mr Alex Cooper, manager cent and also its five to 10-day repo rate, which usually ers were watching Japanese rates, by 15 basis points to following the fall of yields to historic low levels earlier this month.

"The markets were putting "A downtrend in the JGB a negative spin on every-thing," said Mr Julian market could be a cetalyst for a nasty sell-off in interna-Jessop, chief European econ-

Book-russer

CAPITAL MARKETS NEWS DIGEST

APT Satellite cuts IPO price

APT Satellite Holdings's initial public offering has failed to spark enthusiasm among investors, forcing the Beijing backed satellite operator to reduce its issue price to HK\$13.40 from a range of HK\$15.31-HK\$17.71. The Hong Kong IPO of 9.45m shares was just 66 per cent subscribed. while the international tranche saw a "moderate level of oversubscription", the company said yesterday. This contrasts with the IPO launched in June by AsiaSat, e ... fellow satellite operator, which was more than 100 times

subscribed. APT had initially hoped to raise some US\$250m; it will now pocket around US\$180m. During institutional, book-building, the maximum price was scaled back by HK\$1.47 to HK\$17.71. Only 27.9 per cent of the 1.5m shares

earmarked for staff were taken up.

APT's experience is in direct contrast to recent new issues, many of which have been heavily subscribed. In spite of boasting e strong China exposure and access to a growing market, analysts believe investors were deterred by a softer telecoms-related issue and questions over the quality of management.

Further concerns centred on APT's claims to satellite slots, which some analysts say are unproven, and a feeling that management could be aggressive in pursuing its strategy. The industry also suffers from a risk element because of falled satellite launches.

Shares in the company are due to start trading in Hong Kong today. The American Depositary Shares, each representing eight shares, will make their debut in New York on Tuesday. The US scrip is priced slightly higher to reflect the higher fees involved for US investors. Louise Lucas, Hong Kong

India mutual fund postponed

India's first index-linked mutual fund, by Unit Trust of India, has been postponed because of depressed conditions on the Indian stock market.

UTL the subcontinent's largest mutual fund organisation, had been seeking to raise \$50m for the offshore open-ended fund, but commitments from investors fell short of target.

Officials at SBC Warburg, the lead manager, said the issue was now likely to proceed early next year. Mr Euan Macdonald, chairman of SBC Warburg India, said there had been strong interest in the fund but that many investors could not commit until the new year, when new allocations of funds would be made. As a result, the

launch had been postponed. He said weak conditions on the Indian market had been a factor in the postponement. The market's most prominent indicator, the BSE-30 Index, has fallen from a July high of 4.131 to a three-year low on December 3 of 2,713. The fund was to be based on the NSE-50 (Nifty) Index of the National Stock Exchange of India and listed on the London Stock Exchange. The UTI had earlier planned a domestic counterpart to the fund but dropped

Bouygues in comeback with FFr1.5bn offering

INTERNATIONAL BONDS By Samer Iskandar

more than 12 years.

Bouvgues, the French tional FFr500m tranche by construction and telecommu- Dresdner Finance, which nications company, is mak- will be fungible with the ing a comeback to the bond FFr2bn of existing 12-year market after an absence of

Banque Nationale de Paris cate members reporting and Crédit Lyonnais, will today reveal the details of having sold their allotment. the FFr1.5bn issue, which is "Adding this tranche gives expected to be priced tomor- us more leeway to make row. Bouygues' last issue two-way prices", said BNP. was a floating rate note the bookrunner. The new launched in the early 1980s. tranche was offered to inves-

could well be the highlight basis points over OATs - the of the year-end, with the level at which existing bonds bond markets now settled in were trading on the second- pointed out that the curren- Luxembourg, the lead man- day upgraded Finland's next few years.

ful of deals was launched yesterday, including an addibonds. The issue was motivated by a squeeze on the The lead managers, existing bonds, with syndi-

demand for the paper, after

EBRDt 40bn (c) 100.10R Dec 2001 0.20R Final terms, non-calleble unless stated. Yield second 7.00 Dec 2001 0.20R their Christmas lull. A hand- ary market and one basis point tighter than the initial tranche.

Elsewhere, the International Finance Corporation launched its second issue of bonds denominated in South African rand. Hambros Bank, the lead manager, said the deal was motivated by the success of a transaction earlier this month by the World Bank.

With more than Ribn of eurobond redemptions planned in January 1997, Hambros said "the payment date of this issue accommo-The Bonygues offering tors with a yield spread of 17 dates reinvestment demand out of the maturing issues". A syndicate official

III BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

III NOTIONAL FIALIAN GOVT, BOND (BTP) FUTURIES

MOTIONAL SPANISH BOND FUTURES (MEFF)

MOTIONAL UK GELT FUTURES (LIFFE)* 250,000 32nds of 100%

Strike Price

12800 12850 12900

0.48 0.93 1.18 1.24 0.15 0.60 0.17 0.64 0.91 1.03 0.34 0.81 0.04 0.43 0.67 0.84 0.71 1.10

III ITALIAN GOYT. BOND (BTP) FUTURES OPTIONS (LETTE) Lin200m 100ths of 100%

Open Sett price Change High Low Est. vol Open Int.

1.71

128.65 128.29 -0.64 129.13 128.17 39829 87426 127.62 -0.65 - 0 1320

Open Sett price Change High Low Est vol Open int.

targeted Ecu100m deal.

Jun

2.87

cy's weakness was partly ager, said the choice of the foreign-currency debt to AA, responsible for the sustained currency "made more sense from AA. The agency said demand. Since the beginning than French francs", a secof the year, the dollar has tor in which Credit Local the rating in line with appreciated by almost 30 per has issued two bonds in Moody's grade of Aa2 cent against the rand. As a recent weeks. It pointed out "reflects the government'a result, bankers expect that a that demand was relatively progress in reducing its fismajority of bondholders will strong, because private cal deficit, thereby slowing not want to realise their investors were attracted by the growth of the governlosses, preferring to reinvest the absolute level of the coupon, which is slightly higher

Local de France tapped the honds denominated in

Finnish officials welcomed Back in Europe, Crédit than those available on the decision, saying the higher grade would reduce Ecu sector with a retail- French francs and D-Marks. the cost of servicing the Banque Internationale a credit rating agency, yester- FM100m-FM130m over the

> FTSE Actuaries Govt. Securities -- Low compan yield -- Medium compan yield -- High compan yield --Dec 17 Dec 18 Yr. ego Dec 17 Dec 18 Yr. ego Dec 17 Dec 16 Yr. ego 7.32 7.29 6.96 7.38 7.33 7.82 7.76 7.72 7.90 7.76 7.96 7.82 7.90 7.84 7.79 7.87 7.86 7.88 120.86 148.22 120.76 -0.09 -0.32 1 Up to 5 years (21) 7.76 7.72 7.90 7.76 7.82 7.80 7.84 7.79 7.86 7.88 5-15 years (19) Over 15 years (7) Irredeemables (6) Dec 17 Dec 18 Yr. ago Dec 17 Dec 16 Yr. ago 5.28 Up to 5 yrs 3.21 3.17 2.58 4.71 Over 5 yrs 3.59 3.55 3.52 4.69 8 Up to 5 years (2)

FT Fixed Interest Indices Glit Edged Activity Indices

	Dec 17	7 Dec 18	8 Dec 13	Dec 12	Dec 11	Yr ago	High*	Low		Dec 18	Dec 13	Dec 12	Dec 11	Dec 1			
Govt Secs. (UK)	94.06	94.04	93.71	93.73	94.08	95.53	96.34	91.59	Gilt Edged bergains	73,1	84.5	71,8	78.7	83.0			
Fixed interest	116.27	116.30	115.94	116.53	116.41	114,31	117.62	110.74	5-day average	78.2	82.1	83.9	89.2	92.0			
									oo completion: 127.4 (09/01/35 a 15/10/26 and Flood Interest 19								

WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS Price change Yield ago ago
 Couport
 Date
 Prica
 change
 Yield
 ago

 8.750
 11/08
 94.8800
 -1.080
 7.49
 7.36

 5.875
 07/06
 99.3700
 -0.210
 5.96
 5.87

 7.000
 15/06
 107.0000
 -0.250
 6.00
 5.88

 7.000
 12/06
 102.2000
 -1,000
 6.89
 6.32

 8.000
 03/06
 108.7200
 40.020
 8.70
 6.67

 6.500
 10/01
 103.3578
 +0.040
 4.71
 4.67

 6.500
 10/08
 104.7400
 -0.380
 5.96
 5.74

 6.250
 04/08
 102.23100
 -0.380
 5.92
 5.77

 8.000
 08/06
 108.2800
 -0.450
 6.78
 8.73

 9.500
 02/06
 113.4400
 -0.170
 7.44†
 7.44

 6.300
 09/01
 121.8810
 +0.120
 1.38
 1.42

 3.000
 08/06
 116.8400
 -0.320
 5.84
 <td -0.710 7.07 +0.310 6.90 -2/32 7.19 -8/32 7.86 -13/32 7.86 -23/32 6.44 -34/32 8.66 -0.400 8.22 8.96 7.53 8.79 7.27 7.06 7.15 7.49 7.61 7.56 7.73 8.21 6.26 8.48 6.58 8.13 6.27 108.0501 102-24 98-28 109-18 100-14 87-21 US INTEREST RATES

Latest		Treasury	BIRS	and Bond Yields	
Prime rate Broker loan rate Fed.londs Fed.lunds at intervention	814 514	One year	4.98 5.28 5.53	Two year	5.86 6.00 6.19 6.45 6.89
BOND FUTU	RES	AND OPTION	IS		

France	•		

	Open	Sett price	Change	High	LOW	Est. vol.	Open int
Mar	128.26	128.34	-0.14	128.46	126.08	89,860	118,215
Jun	127.06	127.08	-0.14	127.10	127,08	16	9,233
Sep	125.06	125.08	-0.14	125.08	125.06	2	-
- LONG	TERM FR	ENCH BON	ID OPTIO	NS (MAT	TE)		
Strike		CAL	LS			PUTS -	
Price	Jar	Fel	b 14	/ar	Jen	Feb	Mar
126	2.50		2	.91	0.02	0.27	0.45
127	1.5	5 -	2	.15	0.07	0.45	0.68
128	0.72	1.2	5 1.	.51	0.24	0.77	1.03
129	0.20	0.7	4 0.	.99	0.72	1.26	1.51
130	0.04	l 0.3	7 0.	.58	1,56	1.89	2.09
Est. vol. to	tal, Calls 27,02	5 Puts 12.45	1. Previous	day's open	int., Calle 161	,566 Puts 1	50,619.

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.95	99.83	-0.37	100,17	99.72	101611	220210
Jun		96.94	-0.37	-	-	0	182

70		6.89		Open	Sett price	e Change	High	Low	Est. vol	Open int.
70		0.43	Dec	109-20	109-15	-0-11	109-20	109-15	632	4734
			Mar	108-29	108-22	-0-12	109-08	108-20	20450	134281
			E LONG	GILT FUT	URES OP	TIONS (LI	FE) 250,0	00 64ths o	100%	
			Strike	_	<u> </u>	шs —			PUTS	
			Price	Jan	Feb	Mar .	kun Je	n Feb	Mar	Jun
			106	0-53	1-35	1-57 2	-18 0-0	9 0-55	1-13	2-18
			109	0-15	0-62	1-22 1	-53 0-3	5 1-18	1-42	2-53
			110	0-03	0-38	0-58 1-	-28 1-2	3 1-58	2-14	3-28
			Est. vol. k	Mai, Calle 73	7 Puts 170.	Previous d	sy's open in	L, Calls 387	724 Puts 27	745
,00	0		Ecu							
_	Est. vol.	Open int.	■ ECU I	OND FUT	URES (MA	TIF) ECU1	00.000			
8	89,860	118,215		Open	Sett price	Change	High	Low	Est. vol.	Open int.
8	16	9,233	Dec	_	95.88	+0.8	-	-	-	2,344
6	2	-	Mar	94.90	95.00	-0.18	95.18	94.86	487	5,073
			us							
_	PUTS -	Mar								
			UST	EASURY!	BOND FU	TURES (C	31) 5 100,0	30 32nda (xf 100%	
	0.27	0.45		Open	Letest	Change	High	Low	Est. vol.	Open Int.
	0.77	1.03	Dec	113-01	112-18	-0-22	113-06	112-08	10.619	46.566
	1.26	1.51	Mar	112-24	112-01	-0-23	112-28	111-28	215,918	
	1.89	2.00	Jun	112-05	111-16	-0-24	112-05	111-14	865	15,224
61	,586 Puts 1									
			Japan							
				MAL LON			E GOVT. E	OND FUT	TURES	
,0	00 100ths	of 100%	(LIFFE	Y100m 1						
	Est. vol	Open int.		Open	Close	Change	High	LOW		Open Int.
	101611	220210	Wer	125.65		•	125.69	125.50	2187	U/S
	0	182	Jun	124.27		-	124.28	124.18	370	n/a
			· LIFFE fut	tree also tr	ded on AP	r. All Open	interest Age.	are for pre	vious day.	
										_
	_									_
			eld Red Pokus £		ettk_		Hotes C	_ Yest	#£ +or-	_ 52 week _ High Low
_								1) (2) Pal	8Z +U-	udi ca
-	1 ₂ 02 2006##		7.86 985	- <u>12</u> 101 <u>13</u>		200 '9822	.ri35.63 0	02 214 1	1322	114% 1113
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48	pc 2002-6#	7.92	7.55 101	-35 1043		onc '03			80H -12	1824 171

been 10-ge 1997 Trees 6W 7pt 1997 Trees 8-bee 1997 Trees 8-bee 1997 Trees 1998 Trees 1998 Trees 1998 Trees 1999 Trees 9-bee 1999	10.43 6.98 8.82 14.02 9.45 7.20 13.56 10.99 9.05	6.14 6.37 6.41 6.53 6.59 6.79 6.85 6.88	100% 100% 1015 107 100% 114% 109% 104% 104% 104%	18 (19) 19 (19) 18 (19) 18 (19) 18 (19) 19 (19) 19 (19)	1003 1014 5 1023 1004 1004 1142 1003 974 5 987	Trees 11-4pc 2003-7 Trees 42pc 2007-7 Trees 42pc 2007 ‡‡ Trees 6pc 2008 ‡‡ Trees 6pc 2009 Trees 6 1/4pc 2010‡‡ Coow 6pc Lx 2011 ‡‡	7.92 9.77 8.05 8.22 7.83 7.21 8.18	7.55 7.51 7.30 7.34 7.78 7.85 7.85	101 120 <u>\$</u> 105]\$ 109½ 102½ 86}1 110	44	10833 11233 10433 8933	87% 118程 10元 10元 103县 61元 104年	200 13 1624 1725 1824 1825 1824 1825
Treas 109:pc 1999	9.74 6.13 9.46 8.55 11.03 12.78 7.79 5.66 9.14 7.10	6.99 7.02 7.10 7.21 6.69 7.19 - 7.30	10734 9731 1051 1051 10734 1024 1004 1094 1094	118 -1 112 -2 112 -2 108 -2 108 -3 108 -3 108 -3 108 -3 108 -3 108 -3 108	1070 3 1070 3 1070 3 1173 1094 1094 1008	Over Fitteen Years Trees Spc 2012## Trees Spc 2013## Trees Spc 2013## Trees Spc 2012-15##	8.15 6.79 7.80 7.75 7.85 8.04 8.45 7.84	7.82 7.57 7.84 7.83 7.81 7.87 -	110 ³ 2 61 101 ³ 2 100 ³ 2 109 ³ 2 142 ³ 2 102 ³ 3	-4	84点 1053 103点 103点	1042 75% 9513 9313 9513 100% 130%	Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%, (c) Figures in perentisess show RPI base for including (6 8 months prior to Sesse) and have been adjusted to reflect rebesing of RPI to 100 in February 1987. Commission factor 3,945, RPI for April 1999; 152,6 and for November 1996; 153,9.
Fine to Fillman Years Tress 7p. 2002;;;	7.11 8.83 7.79 8.86 10.00 4.18 8.55 7.09 8.54	7:31 7:45 7:45 7:51 7:52 7:53 7:54	98点 110号 102数 1123 114数 68点 111点 55点 111点	그 105 그 105 그 105 그 105 그 105 105 105 105 105 105 105 105 105 105	1057 993 1057 1143 784 1071 012	Consols 4pc Wer Loan 34pc;;; Court 34pc Wit AA	7.89 7.85 5.85 • 8.11	:	5明 44名 01音 36音	# 4 4 -	5133 4683 6383 3834	46% 41& 58& 34%	Asian Der Tülique 2009 6.69 7.92 118 120% 1183 120%

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_	U.S. DOLLAR STRAIGHTS							109	4	5.52	Abbey Nat Treasury 8 00 € 100			4 7.86
	Abboy Nati Treasury 612 03 1000	99%	100%		6.51		1053	1067	٦,	5.78	British Land 87: 23 £ 15	95%	96 -	8.54
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_	Alberta Province 7% 95 1000	1025	102%		6.09	World Bank 71, 00 3000	1073s	107%	Ţ		Depta Finance 71 00 £ 50 88 802 £ 150	0 101%	100	7.89 3 7.81
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	British Columbia 74, 02 500		105%		6.52	EBS 574, 95	114%	1154		4.47	Programma 82 00 C 29	0 1033	112 -	4 7.73
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-	Chang Kong Fin 5 ¹ 2 00	9878	98 ¹ a	-4	6.78	iceland 75 00 100	11412	115%		3.72	Tokyo Bac Power 11 01 € 15	1114	1124 -	7.75
•	China 6 ¹ 2 04 1000	9638	27	٠,	7.28	Orderio 6 ² 4 00 400	1135k	1134	3	3.71	TCNZ Fin 3 ¹ 4, 02 NZ\$ 7. World Bank 9 89 NZ\$ 25	5 106 ¹ 2	107 ³ 2	7.74 7.41
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-	Export Dev Corp 9 ¹ 2 98 150	105%	106%	-J 2	6.50	YEN STRAIGHTS					lanued	Bkt	Offer	Capa
7	Exx Capital 0.041803		6178	٦,	6.53		111%	111%	₊Ia	1.04	Abbay Net Treasury -1 99 1000	20.63	100.01	5,4375
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-	Intl Finance 5 ¹ 4 99 500 hely 8 03 2000		987	4	5.98	Japan Dev Bk 612 01 120000	1224	11114 1223	7	1.80	Fed Net Wort - 200 1000 Finland - 299 1500	89.79	99.87	5.3125
•	nely 8 03 2000	9758 0472	97%	4	6.54	Spain 5 ³ s 02 125000	11778	117%	_	1,12	Finland -1 ₈ 99	96.91		5.3750
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н		103 ² 8 104	1084	12	6.63 6.65			•	•		Rely 1 ₈ 99 Ecu 1500	100.25		4.3125
ı,	Ontario 73, 05 2000 Ontario 73, 02 2000		106	3	6.59	Geninance Lux 7% 13 LFr 4000	109	110		6.00	LKB Baden-Wuert Pin -1 ₂ 98 . 1000 Licyde Sank Perp S 0.10 800	99.96		5.4375 5.8295
	Oster Kontrolibank 8 ¹ 2 01 200	1073	107%	4	6.44	EB 74 05 UF 3000	108	109	•	5.92	Moleysia 1, 05 650	99.81		5,6575
_	Portugal 5% 03 1000	35%	96	-12	6.64	Rabobank Nadarid 6% na i Fr 2000	113	114		6.14	Nove Scote & 99 500	99.99		5.6875
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_	SAS 10 99 200	1067	1074	4	6.51	PTT Nederland 6 ¹ 2 08 FI 1300 Bell Canada 10 ⁵ a 99 CS 150	103% 112L	103 ¹ 2 112 ⁵ 8	4	5.02 5.38	Outbec Hydro 0 99 500	99.75		5.5625
ě	SNCF 912 96 150	106	1054		6.06	Bell Canada 10% 99 C\$ 150 British Columbia 7% 03 C\$ 1250	107	work.	3	6.52	Renie 0 98 500 Spain -1 02 DM 2000	99.79	99.94	5.4375
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ý		9812	984	-7	6.40	Neppon Tel Tel 1014 99 C\$ 200	1123	112%	وا۔	5.42				•
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id In	DEJTSCHE MARK STRAIGHTS					Credit Fonder 8 ³ g 04 Ecu 1000 Denmark 8 ³ g 02 Ecu 1000	1114	111% 114%	-34	6.38	Harson America 2.39 01 420	17,949	87 2 884	i
æ	Austriz 6 ¹ 2 24		95 ⁵ 2	4	6.87	Denmark 8 ¹ 2 02 Ecu 1000 8C S 00 Exu 1100	1043		-J ₀	5.41 4.73	Hong Koro Land 4 01 410	31.05	S3 83 4	-8.71
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	Dautsche Finance 5% 04 2500	100	100%	护	5.68	Comm Ek Australia 13% 99 AS _ 100	1166	1167	4	6,85	Permitted 44, 03 500 5 Sendoz Capital 2 02 750 1	8.8097 1	1112 1124	43,66
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_	Firtand 7/2 00 3000	1094	105 109½		4.26	R&I Bank 7% 03 AS 1000	1001	15%	4	8.17	Seppore 1% 00 40000	10504 1	100 1014	+7,93
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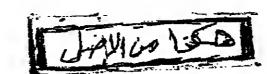
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CURRENCIES AND MONEY

Dollar dips on strong US housing starts data

MARKETS REPORT

By Simon Kuper

The dollar lost nearly a strict conditions for Emn. pfennig against the D-Mark Sterling rose against both cut key rates. The Bank of yesterday, after robust US the dollar and the D-Mark. France cut its intervention housing starts data caused a buoyed by continued belief rate by 5 basis points to 3.15 sell-off in US bonds and per-suaded traders that the Fed-interest rates soon but that lending rate by 15 basis eral Reserve might raise at the same time inflation points to 4.60 per cent. But interest rates soon to slow was under control Japanese the French franc barely softthe American economy.

The D-Mark closed 0.9 the pound. It rose 1.1 cents and rose against the dollar pfennigs higher against the against the dollar to \$1.673 The Rikshank, Sweden's dollar in London yesterday and 0.3 pfennigs against the central bank, reduced its at DM1.545.

The German currency was Issing, Bundesbank chief economist, who told the Financial Times that the stability pact for European monetary union must be would stop Emu member states from running loose fiscal policies, and would thus help make the future single European currency a hard one. Mr Kit Juckes, currency strategist at Nat-

1:

said Mr Issing's comments US Faderal Open Markets

D-Mark to DM2.585. also buoyed by Mr Otmar came amid thin trading as to 4.1 per cent. The market the quiet fortnight on the had expected the move, and currency markets continued. the krona fell only slightly Mr Mark Geddes, analyst at against the D-Mark, from 4Cast, said: "We're into premonetary union must be Christmas trading at the implemented strictly. That moment." Traders were also awaiting the outcome of the ber report. The bank now

E Pour	d in New Y	erk,
Dec 17	-Labet-	Prov. close -
2 apat	1,5720	1,6670
1 min	1.5713	1.6662
3 min	1.6850	1,6638
1 yr	1.6563	1,6506

showed the Bundesbank was Committee meeting after the more hawkish than the Ger- London close. The FOMC left man government in seeking interest rates unchanged.

Both France and Sweden investors continued buying ened against the D-Mark, The Riksbank, Sweden's repo rate for the 25th time However these changes this year, by 25 basis points SKr4.396 to SKr4.414. The Riksbank also said Sweden's inflation outlook had improved since its Septem-

> ■ French and German policymakers yesterday that the Bundssbank



again pointed in different directions regarding the level of the dollar. The Bundeshank'a monthly report said wholly corrected its excessive strength of last year, so that its level was in line expects inflation rates of L5 with economic fundamenper cent in 1997 and two per tals. The report also cent in 1998. suggested interest rates

would not move for a while.

Dec 17

rejected French demands for ing that the US currency to its own rates - as it did yesterday - unless the Bund-Emu process could collapse.

But although the Bundesfranc, Mr Jean Trichet, govexactly that. "It is possible that the market has a tendency to underestimate the underlying fundamentals of

(Bch) 10.8751 -0.058 719 - 783 10.3010 10.8610 10.8804 1.8 10.8151 (BFT) 31.8575 -0.1575 500 - 850 31.9250 31.7840 81.7875 2.3 31.67 (BK) 5.9145 -0.028 135 - 155 5.2895 5.9033 5.9066 1.8 5.8872 (BK) 5.9145 -0.028 135 - 155 5.2895 5.9033 5.9066 1.8 5.8872 (BK) 5.9145 -0.028 130 - 165 5.234 6.2015 5.2074 1.9 5.1894 (BK) 6.547 -0.034 480 -459 1.5425 4.6072 4.8031 2.3 4.5894 (BK) 6.547 -0.071 400 - 840 245.190 245.290 246.025 -7.6 248.386 (BK) 1.8655 4.0037 845 - 865 1.8685 1.8695 1.895 0.3 1.8647 (BK) 1.823.15 -7.3 240 -390 1527.84 1522.35 1526.32 -2.5 1523.75 (BF) 31.8575 -0.1875 500 -850 31.2250 31.7840 31.7975 2.3 31.67 (BF) 1.7341 -0.0032 337 - 345 1.7387 1.7302 1.7303 2.8 1.7223 (BK) 1.723 (BK) 1.724 -0.0034 487 -487 6.477 15.4256 6.444 0.7 6.4393 (BK) 1.8525 -0.55 100 - 150 130.800 155.700 156.295 -1.8 158.53 (BK) 1.8217 -0.0074 178 -256 8.287 6.7841 9.9160 0.5 8.8091 (SF) 1.3203 -0.0074 178 -256 8.287 6.7841 9.9160 0.5 8.8091 (SF) 1.3203 -0.0074 178 -256 8.287 6.7841 9.9160 0.5 8.8091 (SF) 1.3223 -0.0074 178 -256 8.287 6.7841 9.9160 0.5 8.8091 (SF) 1.3223 -0.0045 459 -466 1.2516 1.2431 1.2476 -1.3 1.2508 -0.88855

0.9988 -0.0001 998 - 998 1,0411 +0.002 410 - 412 1,3677 +0.0016 674 - 679 7,8780 +0.0015 750 - 810

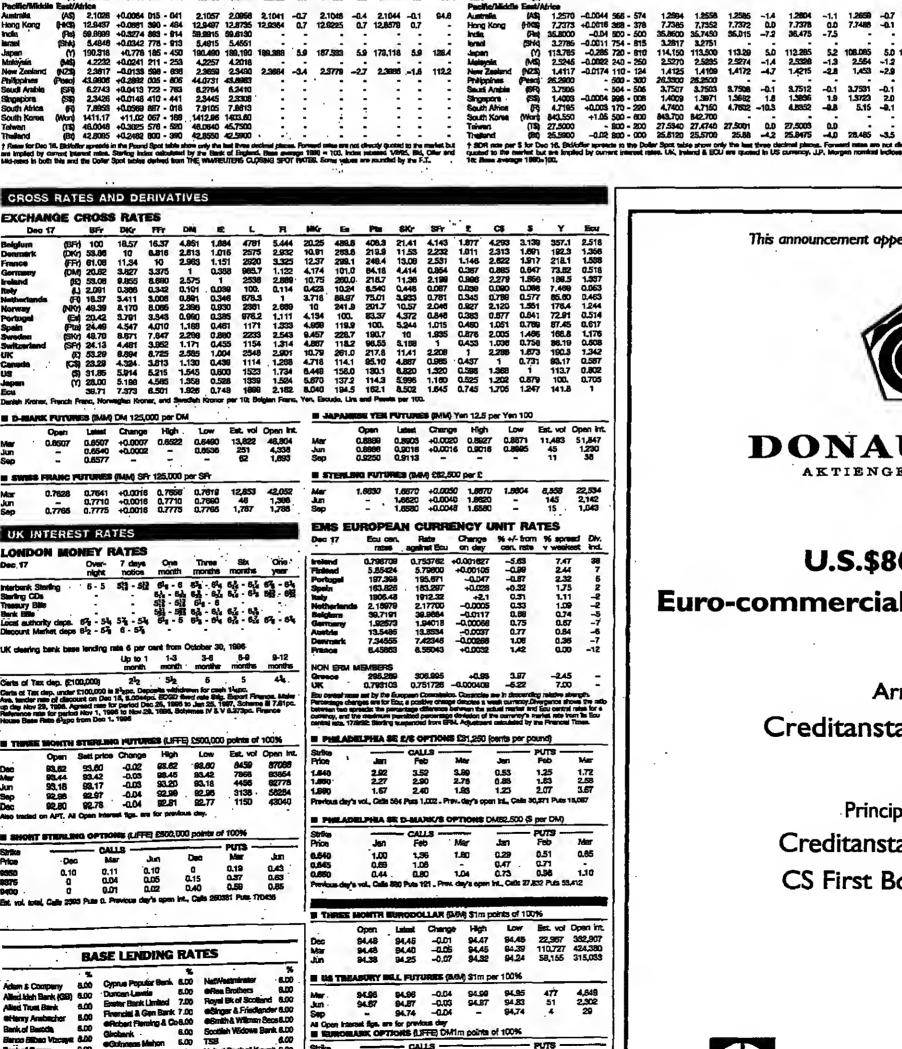
a rate cut aimed at boosting was undervalued. He said the dollar. France thinks e the Group of Seven industri-fall in the franc would stimulate its economy. But it can the issue. But France would only make very minor cuts not appear to have the Bundesbank's backing.

esbank eases too. Otherwise There was more support the franc would cease track- yesterday for the view that ing the D-Mark, and the most Japanese officials want the dollar weaker than Y114 to the yen. That support bank yesterday seemed to came after Mr Kabun Muto, exclude the option of a director general of Japan's weaker D-Mark and French management and co-ordina tion agency, said to general ernor of the Bank of France, surprise that the yen should simultaneously called for be "slightly cheaper" than its present level to help Japanese industry. His commen sent the dollar above Y114. But other unnamed Ja nese officials later said Muto had been speaking a personal basis, and the

WORLD	INTER	est i	RATE	s				
MONEY R	ATES							
December 17	Over right	One	Three inthe	Six	One	Lomb. inter,	Dis.	Repo
Belgkitn	3,	31	34	34	34	5.00	2.50	_
France	3%	37	374	376	313	3.15	-	4.75
Germany	34	32	3%	34	39	4.50	2.50	3.00
ireland	51/2	52	5%	58	8	-	-	6.25
Baby	74	7%	7.1	6%	64	9.00	7.50	7.38
Netherlands	2%	211	37	31	3%	-	3.00	3.30
Switzerland	12	2%	24	23	24	~	1.00	-
US	514	512	516	5%	5	~	5.00	-
Jepen	*	4	*	#	4		0.50	_
# \$ Libor FT 1	.ondon							
Interbenk Flore	-	5%	54	51	5	-	_	_
US Dollar CDs	-	4.87	5.0\$	5.14	5,32	~	_	-
ECU Linked De	-	44	44	48	436	~	-	_
SDR Linked De	-	34	31	31	313	-	-	_
S LIBOR Intertent reference bents a Microbiati, Bercley Mid rate are show	t 11am coc	th working	minster.	he bank	a arec Be	nkes Tru	st, Benk	of Toky
EURO CU	RREN(Y IN	TER	ST	RATE	S		
Dec 17	Short term	7 day		One onth	Three			One
Belgian Franc	34 - 212	312 - 2	H 34	- প্রা	312 - 3			4 - 34
Denich Krone	34 - 34	354 - 3	11 35	- 317	35 - 3	2 34.	3,4 3	1 - 34
D-Mark	31 - 27	34 - 3			3,4 - 3,		31.	34 - 3
Dutch Guilder	214 - 214	3 - 2			310 - 3			.Z - 3%
French Franc	343 - 34	34 - 6		- 311	61- 61			12 - 313
Portuguese Esc.	64 - 64	64 - 6	11 GH	- 63	6, - 6	B 6 -	5))	6 - 553

de H	ELETIA - 4	45.6721 27.2 267.711 159 5017.20 300 0.5020 0.2	\$ 2730 - 27.2	980 100		ticialistad be all be Y0.3 Y113 he lat	s later en spe ssis, and on th	ed J said aking d the e da	Mr g on dol- y to	Portuguese Spanieh Per Starting Swise Franc Cars. Dollar US Dollar Italian Lira Yen Asian SSing Short term in Entrepart	638 112 335 514 814 236	- 64 512 - 14 12 - 24 34 - 54 54 - 74 75 - 27 21	- 512 - 174 - 213 - 514 - 774 - 214 - 214	34 - 3 545 - 545 743 - 746 14 - 4 34 - 31 ₈ not Yes, onth			6 - 53 54 - 53 54 - 65 54 - 2 4 - 37 54 - 55 64 - 54 12 - 14 34 - 34
1	6,1422 - B	273.96 554 1468 3.6	0.00 - 5540 927 - 3.67		0891	4300	03				Open	Sett price 96.98	Change +0.02	-	Low 96.65	Est. vol	Open int.
					See pr	ige 1 f	or sail che	rges		Mar Jun	96.65 96.62	96.66	+0.02	96.71 96.67	96.61	18,127 6,051	63,763 37,843
							-	_	=	Sep	98.58	96.60	+0.01	96.60	98.56	3,997	26,343
11)	VST TE	HE DO!	LAF							THREE	MONTH	EUROMA	RK FUT	URBS (LI	FFE) DM1	m points of	100%
	Day's	mid	One to	anth	Three m	erithe.	One year	J.P.	Morean		Open	Sett price	Change	High	Low	Est, vol	Open wit.
	high	low	Rete	%PA	Figte	MPA	Rate	%PA		Mar	96.88	98.89	+0.01	96.98	96.87	22681	209300
									_	Jun	96.84	96,84 96.70	-0.02	96.85	96.82 96.69	14813	166193 138981
3	10.9010	10.8610	10.6804	1.8	10.8151	2.2	10.6201	2.3	104.2	Sep	96.70 96.50	96.49	-0.02	96.72 98.53	96.69	11832 11982	122782
٥	31.9250			2.3	31.67	2.4	31.13	2.3	104.9	III ONE M							
5	5.B265		5.9056		5.8872 4.5894	1.8	5.8055		106.3) =	_		_				
5	4.5275 5.2334	4.6072 5.2015	4.8081	2.3 1.9	5.1894	2.0	4,5089 5,1138	2.4 2.0			Open	Sett price	Change		Low	Est. vol	Open int.
A	1.5423	1.5419	1.5425	2.3	1.5366	2.3	1.5116	22		Jan	98.91	98.82	+0.01	96.92	96.91	588	9343
6	245,190			-7.5	248,595	-6.7	259.62	-62		Feb Mar	96.91 96.91	96.92	+0.01	96.93 96.92	96.61 96.61	207 240	8586 2010
5	1,5696	1,6585	1.665	0.3	1,6847	0.2		0.2		AOT	96.89	98.89	+0.01	96.89	96.89	17	853
0	1527.84		1526.32	-2.5	1532.75	-2.5	1545.B	~1.5	77.8	II THREE							
0	31,9250	31,7840	31.7975	2.3	31.67	2.4	31,13	2.3	104.9	I PARTIE	HOM: N			mas (LIPP	E) LIUUUI	n pones or	100%
5	1.7387	1.7302	1.7303	2.6	1.7223	2.7	1.6957	2.7			Ореп	Sett price	Change	High	Low	Est. vol	Open wit.
7	BA771	6.4295	844	0.7	5,4383	σe	8,4127	0.5		Mar	93.63	93,62	-0.02	93.68	93.59	12317	92861
0	158.190		156.295	-1.8	158.53	-1.3		~0.B		Jun	94.01	93.99	-0.05	94.07	93.98	5843	52329
0	130,500		130.225	-08	130,395	4.0-	130.49	-0.3		Sep	94.14	94.11	-0.05	B4.17	94,10	4739	29972
5	B.8297		6.9160	0.5	6.8091	0.7	6.7617	0.8		Dec	94.15	94,11	-0.06	94.16	94,09	2217	15261
8	1,3235	1,3170	1.8722	3.5	1,3087	8.5 0.8	1,2758	3.4		2 THREE M	ONTH ER	RO SWISS I	FRANC P	UTURES (L	JPFE) SFr1m	points of 10	0%
•	1,2516	1,2431	1.2476	-1.3	1.2508	~1.4		-1.7	M3'2		Open	Sett price	Change	High	Low	Est. vol	Open Int.
_	12010	(-,		-1,7	120.0	-1	-	Mar		98.12	+0.01	98.14	98.07	6280	41627
				_					_	Jun	98.10 98.01	98.04	+0.01	98.05	98.00	1785	18473
8	0.9990	0.9997							-	Sep	97.85	97.89	+0.01	87.88	97.95	130	6987
5	1.0418	1.0364		-					-	Dec	87.65	97.68	+0.02	87,65	67,65	80	3521
•	1.3715	1,3666	1.3653	2.1	1.3603	22		2.8	64.	- THREE							
0	7,8840	7,8740	7,996	-18.0	8.2625	-18.5	9.123	-15.8	99.2								
	-	•	-	•	•	•	•		992		Open	Sett price	Change		Low	Est. vol	Open int.
	1,2594	1,2558	1,2585	~1.4	1.2604	~1.1	1.2650	-0.7	96.4	Mar	99.47	98,47	-	99.47	99.46	830	n/a
	7.7385	7,7952	7.7372	0.0	7.7378	0.0	7.7488	-0.1	DIT-4	Jun	99,39	99.38	•	99.36	99.38	210	n/a
5	35,8600	35,7450	36,015	-7.2	36,475	-7.5		-	-	Sep	99.27	99.26		99.27	99.26	355	n/a
5	3.2817	3.2751		_,_					-	- THREE	HOMETH	ECU FUT	DRIES (1	#FE) BOU	im points	or 100%	
0	114,150		113.29	5.0	112.295	5.2	108.085	5.0	128.8		Open	Sett price	Change	Hilah	Low	Est, vol	Open Int.
0	2.5270	2.5235	2.5274	-1A	2,5328	-1.3	2,554	-1.2		Mar	95.93	B5.94		95.95	95.83	1160	9415
4	1,4125	1.4109	1,4172	-4.7	1.4215	-28	1,453	-2.9		Jun	95.BB	95.98		95.96	96.95	171	4406
3	26,3300	25,2500		-					-	Sep	95.92	95.93		85.93	95.82	39	3104
5	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3,7531	-0.1	-	Dec		95.78				0	3081
8	1,4009	1,3971	1,3682	1.8	1.3896	1.9	1.3723	2.0	-	" LIFFE Kaure	-						
0	4,7400	4,7150	4.7602	-10.3	4,8352	-0.8	5.15	-9,1	-	E EUROLI			E L1000	m points	of 100%		
0	843,700			-	_ , , ,		-	-	•			CAL				No Pres	
9	27,5340		27,5001	0.0	27,5003	0.0		•	-	Strike Price	Me		_	Sep	Mer	· PUTS	Sep
,	25.6120		25.88	-4.2	25,8475	-4.0	26,485	-3.5								Jun	
w	or Sport tab		-	tiree d	ecimal pino	s. Form	erd rates a	no not e	directly	9350	0.3	0.6	8	0.85	0.18	0.16	0.24

Dec 17		Closing mid-point	Change on day	Bid/offer spread	· Day's	Mid	Qne m	onth 16PA	Three o	months %PA	One ye	MPA Ed	nk of
Burope								10171					
Austrie	(Sch)	18,1990	+0.0267	822 - 037	18,2050	18,0940	18,1495	29	18.093	2.2			104
Belgium ·	ØFri		+0.072		53,3950	53,0000	53,1694	28	57,9044	20	51,7094	3.0	705
Denmark	OK			887 - 990	9.8902	9.8382	9.8744	24	9.8338	24	9.6549		108
Finland	(FM)			148 - 321	7.7350	7.6830	4214		a.0430	~	and a	-	84
rance	(FFd			216 - 293	6.7290	8.6740	8,7048	2.9	8,6691	29	8.4583	2.1	100
Зеплету	DAG	2,5853		839 - 867	2,5889	2.5709	2.5788	3.0	2.5855	3.1	2,5007	3.3	107
Preece .	(Dr)	406,974	+1,509	735 - 213	409 232	405,762	~~	. –		-		-	68
reland	(20)		+0.0043	035 - 059	1,0055	0.9993	1.0041	0.4	1,0031	0.5	0.9965	0.8	102
taly	ĹĎ,	2548.DB	+4.62	606 - 009	2650.10	2536.88	2651.88	-1.9	2559.38	-1.8	2583.88	-0.6	77
prembourg	a.Fr	53.2944	+0.072	656 - 229	53,3350	59,0000	53,1894	2.8	52,9044	2.9	51,7094	3.0	105
Vertherlands	F	2.9010		994 - 025	2,9026	2.8849	2.8092	32	2.8777	3.2	2,8042	3.3	105
Vorwery	(NKI)	10,7864	+0.0145	815 - 913	10.8012	10,7168	10.7739	1.4	10,7539	1.2	10.5489	1.3	99
ortugal	(Es)	261,023	+0.703	804 - 151	261,153	259 A14	281,218	-0.9	261,588	-0.9			95
Spain	Ptal	217.688	+0.517	579 - 793	217,794	216,477	217,786	-0.4	217.846	0.1	217.537	0.1	72
Sweden	SKI	11,4120		021 - 218	11,4235	11.3145	11,393	2.0	11.3485	22	11,138	2.4	87
witzerland	(SFr)			072 - 102	2.2120	2.1968	2,2008	44	2.1854	42	2.1139	4.3	105
JK	(2)					24.000		7.7			21.100		94
cu	_		+0.004	416 - 431	1,3434	1,5330	1.3405	1.7	1.236	1.9	1.3148	2.1	•
DR1	-	1,154772	-	•						-			
merican													
rgentins.	(Paso)	1,6726	+0.0100	721 - 731	1.6733	1.6837						_	
razi	(RS)	1.7417	+0.0148	410 - 423	1.7426	1,7291		-	_	_			
anada.	(CS)	2.2879	+0.016	868 - 890	2.2894	2.2799	2,2826	2.7	22719	2.8	2.2129	3.3	84
Aereico (New	Peso)	13.1792	+0.0882	702 - 881	13.2060	13,1290	-	-	-				
ISA	(5)	1.6729	+0.011	724 - 734	1,8750	1.6640	1,6722	0.5	1.6698	0.8	1,8588	1.0	98
achie/Middle	East/	Africa											
untralla.	(AS)	2.1028	+0.0064	015 - 041	2,1057	2.0958	2.1041	-0.7	2,1048	-0.4	2.1044	-0.1	84.6
long Kong	(LACS)	12,9437	+0.0881	390 - 484	12.9497	12,8735	12,9364	0.7	12.9225	0.7	12,8579	0.7	-
nete	(Ps)	59.8899	+0.3274	889 - 914	59.9915	59,6130		-					
tratel	(Shk)	5.4848	+0.0342	778 - 913	5.4915	5.4551					_		
apan	(1)	190.918		185 - 450	190,490		189,388	5.9	187,533	5.9	179,118	5.9	128.4
Antovala	CAS	4.2232		211 - 253	4.2257	4.2018							-
low Zeeland	(NZS)	2.3617		598 - 636	2.3659	2.3480	2.3684	-34	2,9779	-2.7	2.3886	-1.6	1122
hidoohes	Perol	43,9906		005 - 606	44.0731	43,0963							
eudi Arabia	SFI	6.2743		722 - 763	6.2784	6.2410							
Incapore.	(55)	2.3426		410 - 441	23445	2.3308		-		-		-	
outh Africa	R	7.8953		887 - 018	7.9105	7.8813				-		-	
outh Korea	(Worl	1411.17		067 - 168	1412.06	1403.60			4			-	
alwan	(12)	46.0048		578 - 520	48,0640	45,7500				-			
haland	(Bt)			800 - 390		42,5900	. :			-		-	
				Spot table at									



This announcement appears as a matter of record only.



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Principal Dealers Creditanstalt-Bankverein **CS First Boston Limited**



COMMODITIES AND AGRICULTURE

Copper ends up as stock level surprises

MARKETS REPORT By Deborah Hargreaves and Kenneth Gooding

Copper prices jumped briefly on the London Metal Exchange yesterday after a increase in exchange stocks Comax was reported. The rise was of 2.875 tonnes; some traders

Copper for delivery in

above \$2.100 a tonne, bnt then subsided to end late trading \$14 up at \$2,095.

Analysts at Macquarie Equities pointed ont that much of copper recently arrived in LME stocks was smaller than expected switched from New York's Comax warehousea, attracted by the LME's higher prices. "Very little had predicted up to 12,000 other material has been arriving on the LME in recent weeks so, if the

three months moved back switching from Comex ends, at \$23.52 a barrel. The mar- stocks as low as they are. 1997," they said.

The crude oil market weakened as some traders up with Iraqi oil for the first took profits following a steep time in six years yesterday rise in prices in late trading were largely ignored by tradon Monday. At one stage, the North Sea Brent crude Feb- see its impact on consumers. ruary futures contract on the International Petroleum about the political situation

LME stocks are likely to ket recovered later, but you can't take any chances begin to decline again. The prices were volatile after a on supply disruption," said market could get extremely rise of \$1 a barrel on the Mr Mohammed Abduljabbar, tight in the first quarter of London and New York markets late on Monday.

Reports of tankers loading ers, who are still waiting to

"Traders are still nervous Exchange was down 37 cents in the Middle East and, with

oil market analyst at Petroleum Finance Company in Washington.

day to have signed contracts with 12 companies in Turkey, US. France, Italy, Netherlands, Japan, Russia and Austria for deliveries over six months. Lumber futures on the

Iraq was reported yester-

Exchange moved up by the maximum amount allowed after stronger than expected US housing starts.

LINE WAREHOUSE STOCKS

1123			
teminium teminium topper ted tickel	elitoy	+275 +438	to 943,825 to 74,500 to 115,875 to 122,825 to 48,350 to 516,550
G		-10	to 9,790

exports this year of all silk

products to be about the same as last year, A CNSIEC

report says the corporation

Mr Chen says that not

enough has been done to

promote silk's special prop-

erties. More work is also

required to overcome what he describes as the fabric's

two main obstacles: its

image as a high-price fabric.

124 - 64 97 - 87 77 - 115

\$222-223

\$113-115

\$220-223 \$252-254

488.50c

\$117.50

106.0c

45.00c 14.31r

265.50

108.720

88.48p

Unq 127.0

80.50a

80.50p 319.5x

530.0x

79.55

18.70-19.20 +0.20

-2.0

-4.00

-4.51°

-4.85° -0.57°

LONDON SPOT MARKETS E CRUDE OIL FOB (per berrel)

Brent Blend (dated) \$24.08-4.12 +0.025
Brent Blend (Feb) \$23.74-8.76
W.T.I. \$25.02-5.04w +0.075
■ Oil. PRODUCTS #WE prompt delivery GF (some)

Heavy Puel Oil Naphtha Jet tuel

Bacton (Jan)

III OTHER

M NATURAL GAS (Per

Gold (per troy cz)? Silver (per troy cz)? Platinum (per troy cz.)

Pelledium (per troy

Tin (Kuata Lumpur)

Cattle (live weight) Sheep (live weight) Pigs (live weight)†

Lon. day sugar (raw) Lon. day sugar (wta) Barley (Eng. feed) Malze (US No3 Yellow)

Wheat (US Dark No

Rubber (Jan)♥ Rubber (Feb)♥ Rubber (KL RSS No1)

Coconat Oil (Philis Palm Oil (Malay.)S Copra (Philis Soyabeana (US)

Copper Lead (US prod.)

Tin (New York)

Tony Walker

and its tendency to crease.

COMMODITIES NEWS DIGEST

Australia reduces export forecasts

The forecast value of Australia's commodity exports for 1996-97 was revised downwards to A\$58.9bn (US\$46.7m) yesterday by the Australian Burean of Agricultural and Resource Economics, the government forecasting body.
The estimate was down A\$800m from three months earlier, because of a continued decline in world commodity prices. However, it still represents a 2.5 per cent increase from the previous year.

The overall rise is largely attributed to mineral and mergy exports, predicted to rise 4.5 per cent to A\$36.3bn, while exports of rural commodities are forecast to fall slightly, to A\$22.6bn, the bureau said in its report for the December quarter. Australia is expecting a bumper wheat crop this year, but the value of wheat exports is forecast to be about 9 per cent lower because of falling world wheat prices after the highs of 1995-96, and near-record world production.

Export earnings for beef and sugar are also forecast to decline, but will be partly offset by rising export values for wool and dairy products. Farm production is set to rise 7.6 per cent, continuing its recovery from the drought of two years ago.

The volume of wine exported is expected to grow to a record 154m litres, up 26.2 per cent from the previous year, with a value of A\$632m, up 34.8 per cent. Bethan Hutton, Sydne

Greece awards oil licences ...

DEP-EKY, the state-owned Greek oil research company, has awarded four oil exploration licences in the country to UK and US companies, under new legislation designed to lift international oil companies' interest in Greece. Enterprise Oil of the UK and Union Texas will invest

\$26m and \$35m, respectively, in exploring onshore blocks in the north-west Peloponnese and the Epirus region from mid-1997. Triton Resources, of the US, will invest \$61m over the next four years in exploring an offshore block in the Patras Gulf and a nearby onshore block in Aetolo-Acharnania.

DEP-EKY, which has experience in offshore oil drilling in the northern Aegean, will take a 12 per cent stake in each concession area and provide equipment and research staff, the company said.

BHP and Japan agree prices

BHP, the Australian mining group, yesterday agreed coal. prices and tonnages with Japanese Steel Mills for the year from April 1 1997, Prices for premium hard coking coal were higher, but those for lower quality coal fell. Volumes for both categories have increased, from 5m to 5.5m tonnes of hard coking coal, and from 4.7m to 5.5m tonnes of weak coking coal. Japan accounts for more than a quarter of BHP's coal production.

BHP yesterday reported increased first-half production in all its divisions except gas and steel. Coal production grew 15 per cent to 11.8m tonnes in the six months to November 1996; iron ore climbed 10 per cent to 27.3m tonnes, and copper concentrate was up 41 per cent to Rethan Hutton

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The same to

State moves to stop China's silk worm turning Industry readjusting after years of oversupply and falling quality hrough war, famine, the main destinations for

pestilence and plenty. Chinese silk products. China has been prod- Another factor was what he ucing silk for more than described as "misleading 5,000 years. For much of that information" about demand time producers have coped

Relaxation of state controls on cultivation of mulberry trees and an explosion in the number of new processing plants has led to cent of world consumption oversupply, the production of raw silk, semi-finished of poor quality materials, and a build-up of stocks - all

resulting in a sharp fall in

Mr Chen Youzhe, president of the China National Silk Import and Export Corporation (CNSIEC) says a doubling of production in the past 10 years had caused a "crisis" in the industry cabinet, to help restore

The development of the silk industry has been a bit Team was given ministerial out of hand," he says, "The status and charged with most severe problem is over- regulating the industry at supply, and this chaos has been caused by the transition from a planned to mar- important both for China ket economy." Mr Chen also and the world that its rescue blames depressed markets in is imperative," the China form of raw silk, "grey" fab-the leading economies. Of Daily quoted Mr Yi Hui, ric (semi-finished product), particular importance are director of the new team, as or finished garments. Total

provided to producers of silk well with the vagaries of the cocoons, the primary stage market - until China's own of production, which led to a racent economic reforms threefold spread in the area turned the industry upside of mulberry trees under cultivation between 1987 and

> Such is China's importance to the world silk market - it accounts for 70 per and finished fabric - that difficulties in local production inevitably cause a ripple effect, with poor-quality products undermining confi-

> Concern about the industry prompted the formation this year of a special group under the State Council, or and Satin Co-ordination

every stage of production. "The ailk trade is so Japan, the US, and Italy - saying. In the first half of value of silk exports in 1995

Priced to clear: relaxation of state controls has led to over-production and market instability this year silk exports were down 20 per cent, according

to the newspaper.

The disruption is serious for China, since labourwhich requires intervention. order. The State Cocoon, Silk intensive raw silk cultivation and processing involves some 20m people, with prodnction worth Yn14bn (\$1.7bn). Raw silk output accounts for about 75-80 per cent of the world total. China exports the bulk of

its production either in the

was down 17.7 per cent on ing to Mr Chen of CNSIEC. the year before, to \$2.6bn. including closure of ineffi-Cocoon exports dropped 58 cient, low-technology mills, per cent and silk garments were down 29 per cent.

stabilise the industry and improve the ontlook for exports include the establishment of a new management system in producing areas to co-ordinate cultivation, processing, marketing and trade. The authorities have also set up trade offices in Japan and Hong Kong to improve "quantitative and qualitative controls", accord-

is "cautiously optimistic appear to be having an Other measures adopted to effect. At the Guangzhou about the international silk trade fair in antumn, raw silk prices were up 10 per cent. Prices for "grey" fabric had stabilised after dropping

Corrective measures,

over the past two years. A reduction of about 30-35 per cent in cocoon production, along with the weeding out of poor-quality producers, have also halpad to restore stability.

Mr Chen expects total

924 1,386 17,127 945 597 12,373 964 677 8,381 973 198 6,696

1449 102 1,492 1459 7,210 11,892 27,083 79,290

Dec Feb Apr June Aug

1356 -6 1368 135515,788 33,883 1380 -6 1392 1390 2,321 12,671 1404 -6 1413 1403 1,524 8,032 1423 -6 1430 1430 107 6,757 1443 -6 1449 1448 102 1,482 1458 -4 1467 1459 7,210 11,822 27,083 73,290

Price

1314 -14 1315 1300 1,808 13,253

1314 -14 1313 1390 1,906 13,233 1258 -17 1260 1245 2,145 20,689 1221 -20 1222 1216 626 6,734 1206 -18 1214 1202 96 1,831 1206 -18 1211 1202 138 1,962 1298 -18 1211 1206 43 575

123.15 +0.65 126.76 120.00 231 228 109.90 -0.05 111.00 169.25 8,060 15,762 107.15 -0.25 108.40 106.80 1,569 6,345 106.05 +0.30 167.00 106.80 316 1,867

104.00 +0.25 104.00 103.50 131 1,485 101.50 -0.15 103.00 101.50 23 1,088 10,380 26,944

304.8 +3.4 305.6 301.3 1,034 14,893 304.4 +3.5 304.2 300.7 120 5,529 305.3 +3.1 308.0 302.6 13 2,617 301.0 +0.9 302.5 300.5 24 1,782 301.5 - 308.0 302.9 8 557 303.0 +0.3 304.5 304.4 6 377

10.77 +0.21 10.83 10.55 8,485 78,206 10.81 +0.17 10.87 10.66 2,884 30,540 10.61 +0.18 10.85 10.66 2,884 30,540 10.81 +0.18 10.85 10.66 974 22,503 10.83 +0.14 10.85 10.79 381 2,888 10.84 +0.14 10.87 10.72 143 3,732 10.83 +0.14 10.85 10.85 2 836

75.54 -0.31 75.95 75.41 2,550 25.275 76.55 -0.27 76.50 76.50 797 10,582 77.36 -0.29 77.65 77.30 277 7.850 77.00 -0.12 77.00 77.00 8 1,236 76.00 -0.20 76.75 76.50 125 9,640 77.50 -0.12 77.55 77.50 1 .480

90.40 -1.00 91.50 89.80 1,458 9,718 93.85 -1.10 94.80 92.80 1,746 11,804 97.00 -1.00 98.00 96.50 372 3,194

99.75 -1.00 100.00 99.50

102.75 -1.25 103.50 102.55

18,855 146,201

JOTTER PAD

MEAT AND LIVESTOCK E LIVE CATTLE CME (40,000lbs; certs/lb 66,725 -0.250 67,175 66,700 2,323 6,494 63,250 -0.725 64,050 63,200 5,221 32,990 64.450 -0.525 64.975 64.400 2.082 22.285 62.300 -0.375 62.700 62.250 87.3 9.396 62.100 -0.300 62.400 62.075 300 8,129 64.675 -0.200 85.000 84.683 338 5.685 E LEAN HOGS CME (40,000lbs; cents/lbs) Dec 60.125 ±0.125 60.475 59.850 1,548 4.283 Feb 75.450 -0.300 76.125 75.363 3,844 14.076 Apr 71.425 -0.300 72.100 71.300 612 5,582 Jmn 74.475 -0.325 75.000 74.400 648 5,011 Jul 71.575 -0.150 71.900 71.520 648 5,011 68.000 -0.200 68.100 67.900 63 931 Total The number of years th France has been ruled b The game of Skill, Judgement and Nerve men called Louis (Sprea 10 years) Yesterday's Telephone 07000 782080 answer: 70% PORK BELLIES CME (40,000lbs; cents/lbs) 77.375 -0.325 78.500 77.000 1,485 4,426 76.575 -0.325 77.500 76.500 118 883 77.450 -0.350 77.600 77.200 33 559 **CROSSWORD** No.9,254 Set by VIXEN **LONDON TRADED OPTIONS** Strike price \$ tenne - Calls - - Puts -M ALLIMINIUM 127 15 105 31 86 55

1 Set around a stately home Near-cold mash may be found in the kitchen (8)

10 Those acting for top people

concerned with common men (7)

Il Counting as influential (7)

12 Suspend for a quite mild imprecation (4)

13 Many a lag without hesitation becomes an idler (10)

15 The scout baving to sleep incide is

inside is grumpy (6) 16 Make a reduction for each botched-up draft (7) 20 A wood the city outskirts bear down on (7) 21 Scuttles a ship carrying wildfowl (6) 24 Where to see kings and

queens, but only in black and white (10) 26 Notes there's seating avail-28 He composed a pieca of music – "The Hero's Sin"

29 To sack a large number is to be unsuccessful (7) 30 Woman modelling a man's hat (8) 31 Relax to make a point over and over again (6)

1 The advantage of buying (8) 2 Money expended on green day make up that is really 3 Figure it's a hundred to one



there's exemplary loyalty.

7 The German taken round the American centre gets a 8 Look at only a part of the entire garden (6) Try writing (5)

14 'l am pigeon livered, and lack gall to make — bit-ter" (Shakespeare) (10) 17 A financial expert comes into organisation (9)

18 Stagger like a heavyweight before his knock-out (8) 19 Criminal fool repeatedly inside (8) 22 Cuts records (6) 23 Coppers go on finding satis-

faction in achievement (5) 25 Retired medico's exercise course (5) 27 Capital seen as very large -

and left nothing! (4) Solution 9,253

COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE

	Costs	3 milis
Close	1486.5-87.5	1518.5-19
Previous	1481.5-2.5	1513-3.5
tigh/low	1488	1530/1518
M Official	1488-89	1520-20.5
erb close		1529-30
per int.	248,190	
ctal daily turnover	73,085	
ALUMINIUM AL	LOY (\$ per to	nne)
lose .	1335-40	1355-60
revious	1325-30	1355-40
ligh/low		1365
M Official	1347-49	1365-66
erb close		1360-65
pen Int.	6.281	
otal daily turnover	2,148	
LEAD (S per ton		
lose	687.5-8.S	694-5
revious	682-3	688-9
ligh/low	684	701/686
M Official	683-4	892-2.5
Kerb close Open int.	38.421	701-2
otal daily turnover	10,550	
NICKEL (\$ per t		
056	6450-60	6550-60
ose evious	6455-65	6550-65
igh/low	0-33-03	8625/6520
M Official	6445-50	6545-50
erb close	3	6575-80
pen int.	47,841	
tal daily turnover	17,487	
TRN (\$ per tonne	<u> </u>	
356	5710-20	6766-70
evious	5675-85	5715-25
igh/low	5000.05	5840/5710
M Official arb close	5690-05	5736-38 5825-30
pen int.	16.307	3023-30
stal daily turnover	4,696	
ZINC, special hi		er tonne)
088	1026.5-27.5	1051-52
evious	1025-6	1049-50
gh/low	1025	1055/1049
VI Official	1024.5-25	1050-51
ero close		1055-58
përi int.	81,231	
tal daily turnover	24,733	
COPPER, grade		
990	2150-52	2101-02
evious	2165-70	2107-8
	2161	2116/2077 2108-09
gh/low M Official wh. close	2160-61	
	2160-61 165.801	2093-95

98.80 -1.25 100.50 98.00 1.409 4.091 97.85 -0.80 99.70 97.80 97.20 -0.45 99.00 97.20 95.20 -0.05 95.20 95.00 36 925 93.90 -0.10 95.30 93.80 412 4,818

PRECIOUS METALS III LONDON BULLION MARKET (Prices supplied by N M Rothschild)

LME Closing 2/5 rate: 1.6727

Spot: 1.6628 3 miles: 1.6596 6 miles: 1.6555 9 miles: 1.6513

Gold(Troy oz) \$ price £ equiv \$Fr equiv Close 369.00-369.40 Opening 367.60-367.90 368.30 220.90 486.49 368.20 220.31 486.02 369.60-370.00

Previous clase 366,70-369.00 Loco Lon Mean Gold Lending Rates (Va USS)

1 month ______3.47 8 months _____3.67 2 months ___3.81

p/troy cz. 288.40 292.40 492.30 504,35 Gold Colm

Precious Metals continued GRAINS AND OIL SEEDS ■ GOLD COMEX (100 Tray az.; \$/tray az.)

+0.8 368.5 368.5 195 741 Just 40.8 371.8 368.0 11.373 91.986 May 40.6 394.5 371.8 1.360 22.161 Joi 40.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 374.8 200 15.715 Sep 362.5 297 May 10.7 378.3 378.5 200 15.715 Sep 362.5 200 15.7 +0.8 368.5 +0.8 371.8 369.0 11.373 81.988 +0.6 394.8 371.8 1,360 22.161 +0.7 378.3 374.8 200 15.715 - 262 5.287 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 371.0 +1.7 372.9 369.7 1.381 14.636 373.8 +1.8 374.5 371.5 659 12,570 376.3 +1.8 376.0 374.9 17 2,024 379.0 +1.6 380.7 378.3 34 1,960 2,091 31,412 PALLADRIM NYMEX (100 Troy oz.; S/troy oz.) 117.75 -0.25 120.75 119.50 104 7.216 MAIZE CBT (5,000 bu mir; cents/56tb bushel) COCOA (ICCO) (SDR's/tonne) SILVER COMEX (5,000 Troy oz.: Cents/troy oz.)

25.65 -0.09 25.80 25.31 45.936 43.045

23.23 -0.02 23.23 22.99 2.036 32.935

22.52 -0.00 22.59 22.41 2.131 14.755 21.92 -0.08 21.97 21.70 801 10.301 21.33 -0.12 21.38 21.20 1,332 11.812 Latest Day's Open price change High Low Vol and 74.25 -0.57 74.80 73.25 25,011 29,183

72.00 -0.32 73.30 72.18 13,617 31,636 69.60 -0.12 69.75 68.90 5,121 13,137 85.10 -0.12 65.25 64.50 1,629 8,034 61.90 -0.07 81.90 81.50 1,268 4,947 60.00 +0.03 80.00 58.50 580 5,287 48,061 111,278 III GAS OIL PE (\$/tonne)

Sett Day's Open price change High Low Vol Int 222.00 -0.50 224.50 220.50 4,667 39,883 218.09 +0.75 217.09 214.50 2.576 12.377 208.00 +0.75 200.25 206.75 1,020 8,346 199.00 +0.50 199.50 198.00 581 5,980 193.25 +1.00 193.50 192.75 100 2,818 188.75 +1.00 188.50 188.00 283 7,468 M NATURAL GAS HYMEX (10,000 mmBal: S/mmBal)

4,400 -0.067 4.600 4.060 26,164 32,742 3.850 -0.034 4.020 3.550 9,736 30,458 3.200 +0.066 3.340 3.000 1,548 18,188 2.670 -0.035 2.795 2.550 1,391 9,678 2.420 -0.020 2.495 2.380 1,913 7,636 - 2,370 2,250 1,460 7,034 46,719 160,308

NYMEX (42,000 US galls.; c/US galls.) 89.80 +0.28 70.10 68.65 14,496 19,662 88.00 +0.23 70.10 80.05 77.95 7.976 19.777 88.30 -0.17 69.00 67.95 3,718 10.425 77.005 -7.005 68.45 1,008 4,908 88.00 -0.42 69.15 68.00 384 3,153 67.30 - 67.30 67.30 73 2,826 69.00 88.00 ■ WHEAT LIFFE (£ per tonne)

SOFTS E COCOA LIFTE (E/tonn

 Dec
 404.50
 -9.25
 408.00
 402.00
 294
 600

 Mar
 384.25
 -1.75
 397.50
 391.00
 8.204
 31,613

 May
 370.25
 +1.50
 373.00
 367.50
 1,161
 5.240

 Jul
 348.00
 +2.00
 348.50
 4200
 19.028

 Sep
 351.00
 +1.50
 362.00
 348.00
 8
 775

 One
 361.00
 +1.50
 364.00
 358.50
 13
 483

 Total
 13
 483
 7,946
Dec	270.75	-0.75	275.50	270.00	5.455	7.067
Mar	265.50	+2.00	266.75	263.50	28,344	148,018
Mary	267.50	+1.75	268.75	266.00	6.553	52,656
Jul	269.50	+1.75	270.50	268.25	4,753	55,044
Sep	264.25	+2.00	265.00	263.00	1,638	35,872
Total	270.00	270.00	270.00	270.00		
Total	270.00	270.00	270.00	270.00		
Dec	270.75	42.00	263.50	261.00	1,638	35,872
Total	270.00	270.00	270.00	270.00		
Dec	270.75	270.00	270.00	270.00		
Dec	270.75	270.00	270.00			
Dec	270.75	270.00	270.00			
Dec	270.75					
Dec	270.75					

Jess Mar May Jesi Sep Nov Total 94.25 - 94.60 94.50 28 95.75 - 96.18 96.00 68 97.00 - - - -93.00 - - - -454 227 130 8 COFFEE 'C' CSCE (37,500lbs; cents/fbs) Doc Mar May Jel Sep Dec Total SOYABEANS CBT (5,000bu sain; centa@0th bushel) 705.50 -5.00 713.00 708.00 25.129 45.017 701.50 -6.50 708.75 701.00 12.733 43,804 698.50 -6.75 705.00 698.00 2.235 25,136 698.00 -8.75 708.00 698.50 2.838 24,094 697.25 -5.75 704.00 697.00 93 2.850 680.50 -5.50 688.00 680.50 48 478 45012 158.174 COFFEE (ICO) (US cents/pound)

45.012 155.174 SOYABEAN OIL CET (80,000lbs: cents/b) 23.16 +0.03 23.30 23.14 2.324 1.405 23.36 +0.04 23.50 23.32 9.467 27.601 23.80 +0.06 23.93 23.72 8.142 27.765 24.12 +0.05 24.18 24.05 1,142 13.245 24.37 +0.05 24.42 24.29 877 8.885 24.40 +0.03 24.48 24.40 25 1,844 20.067 85.022 SOYABEAN MEAL CET (100 tons; \$/ton)

241.0 -1.2 243.0 240.2 2,584 4,788 229.9 -24 231.3 228.7 12,200 23,695 221.9 -22 224.3 221.5 5,603 24,654 216.8 -25 219.0 216.5 1,149 15,149 215.7 -2.7 218.0 216.5 799 10,814 214.7 -2.3 217.0 214.7 42 2,078 22,730 84,851 M SUGAR '11' CSCE (112,000lbs; cents/lbs) E COTTON NYCE (50,000/bs; cents/fbs)

50.5 -1.5 - -60.5 -1.5 30.5 60.5 62.5 -1.5 62.5 62.5 72.5 -1.5 - -113.0 - - -9 1,880 1518 -2 1518 1518 1435 -20 1450 1430 1418 -18 1420 1418

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) Jan Mar May Jul 1513 1507

FUTURES DATA All futures data supplied by CMS.

European Free Market, from Metal Bulletin, \$ per ib in warehouse, unless otherwise stated (Last week's in brackets, where changed) Antimony, 99.85% \$ per tonne 2100-2175 (2075-2175) Bismuth min 99.99% tonne lots 3.00-3.40 Cadmium 99.95% cts a pound 65-70 Cobait M8 free mix min 99.8% 21.25-22.25 (21.50-22.50) min 99.3% 20.25-20.75 (20.25-21.00) Mercury min 99.95% \$ per 76th flask 162-172 Molybodenum Drummed molybotic oxide 4.30-4.80 Selenium min 99.5% 2.60-3.60 Tungsten ore Std min 65% \$ per tonne unit (10kg) WO, cff 48-63 Venedium min 98% off 3.25-3.35 Unanhum nuesco unrestricted exchange value 14.40 Furncean Free Market, from Metal Bulletin

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET NYCE, CME, CSCE and IPE Crude OF are one day in arrears. Volume & Open Interest totals are for all traded months. INDICES

■ Reuters (Base: 18/9/31 = 100) Dec 17 Dec 10 month ago year ago 1860.5 1865.5 1865.4 2114.4 ■ CRB Futures (Base; 1967 = 100) Dec 16 Dec 13 month ago year ago 345.58 243.78 GSCI Spot (Base: 1970 = 100) Dec 1e Dec 13 month ago year ago 227.85 217.78 210.03 195.71



100 FINANCIAL TIMES WEDNESDAY DECEMBER 18:1996 31 export forecase FT MANAGED FUNDS SERVICE Offshore Funds FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Deak on (+44 171) 673 4378 for more details. OFFSHORE **AND OVERSEAS** BERMUDA IRELAND and Asset Management (CI) Ltd (140) 7107424 Scilora Investment Hagt (Imland) Lid SIB RECOGNISED +8506 4.57 +8107 8.18 +8105 2.00 +8105 2.05 ____ \$1,650 ____ \$1,660 ___ \$1,660 BSBC DK Easily Plus II Plc Steller Fund Pic Yamakidi Capital May (Russussy) Util Yamakidi Capital May (Russussy) Util Yamakid Janaha Baskidi S. 37.22 +0.04 Hamakid Janaha Baskidi S. 37.23 +0.05 Hamakid Dyamaki Janaha S. 31.20 -0.05 Hamakid Pana Carant H. 37.23 +0.05 Hamakid Pana Carant H. 37.23 +0.05 Hamakid Pana Carant H. 37.23 +0.05 amon trataged Ltd ** - ** - * - * Standard Book Ford Mgmt (Jersey) Lie Police 563, St Heler, Jessey D 3.30 **IRELAND** Auditable Investment Fe.
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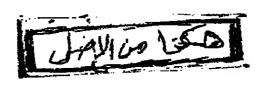
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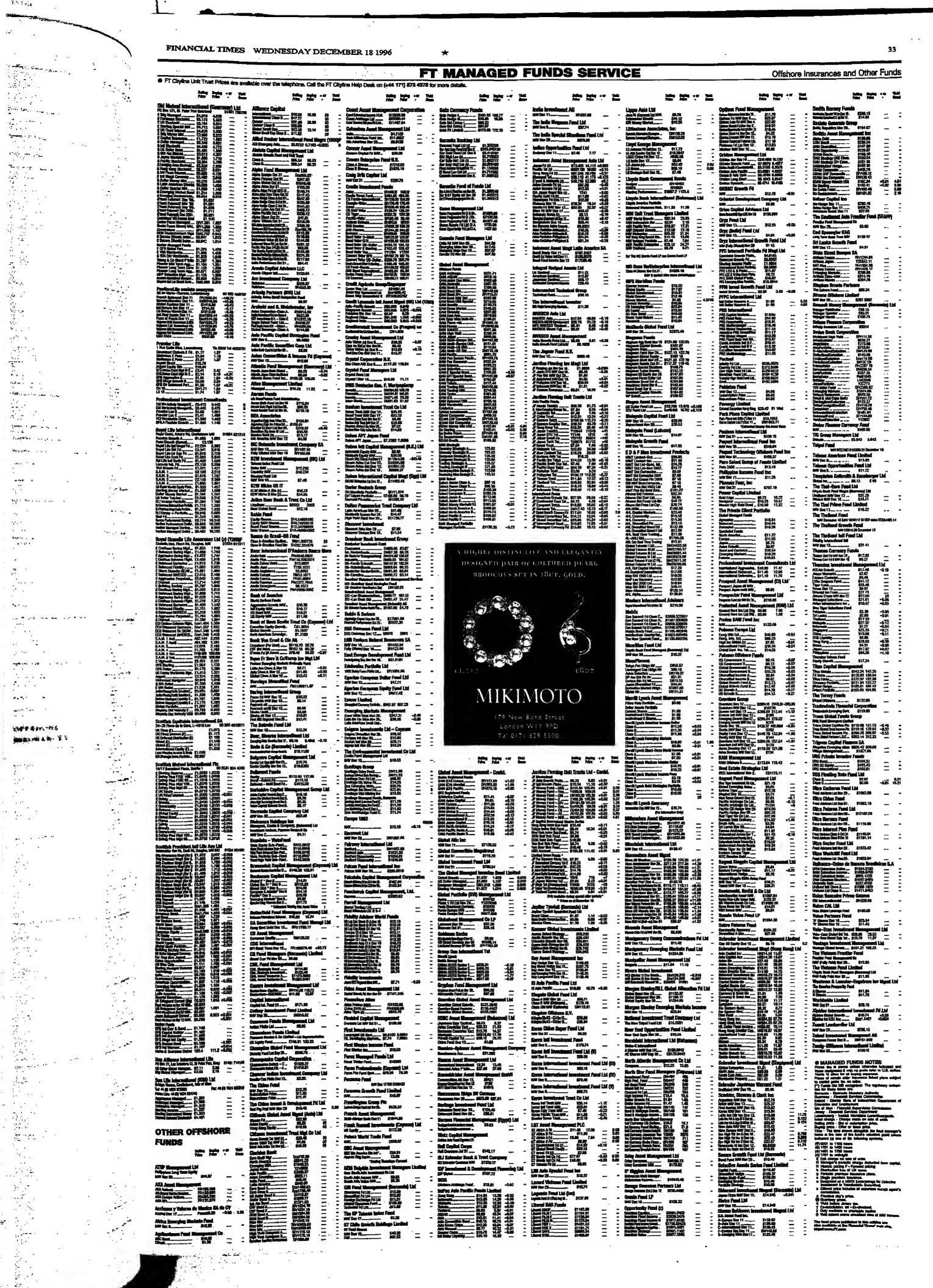
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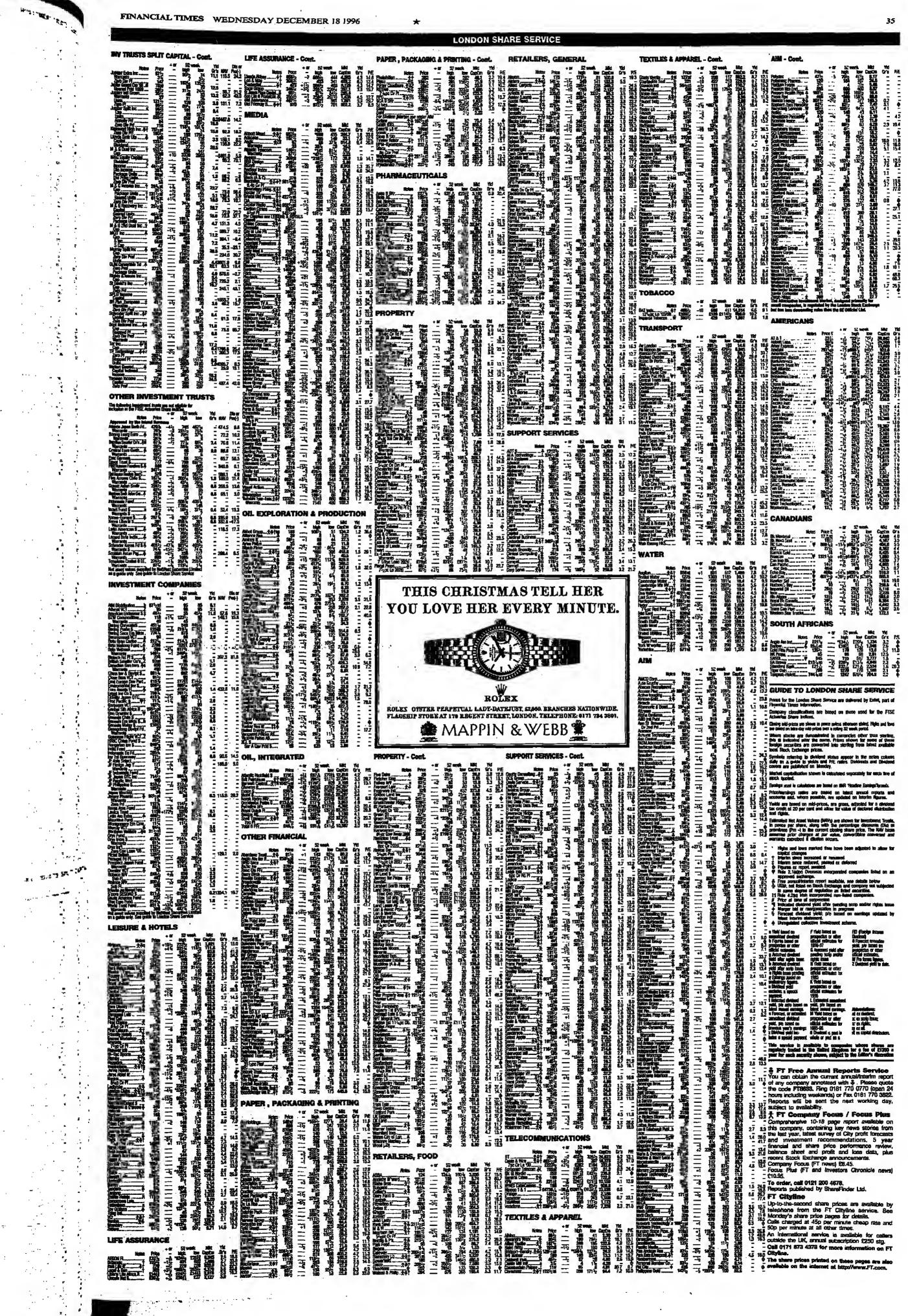
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LONDON STOCK EXCHANGE

Takeovers help to underpin equity market

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

Two more takeover bids and the prospect of more of the same provided a prop for much of the day to a London equity market still keeping one eye on Wall Street.

The day's takeover hids both hostile, were FKI for Newman Tonks and Fairey for Burnfield. and worth a total of around

Wall Street gave off more woragain at the outset of trading ves-Industrial Average losing its grip on the 6.300 level.

Driving the US market down on Monday was news that Morgan Stanley, one of the most powerful US investment banks, had chopped the equity weighting in its global model portfolio from 74 per cent to 56 per cent and upped cash from zero to 15 per cent.

And there was an element of unease in the US as the Federal Reserve's Open Market Committee met to consider US monetary policy. Dealers said they expected the Fed to keep interest rates on hold, but there were rumblings rying signals on Monday and around the market that the Fed might spring a surprise on the terday, with the Dow Jones markets and edge rates higher.

bond sliding around three-quar- 2,131.7. ters of a point sbortly after the opening yesterday, after a similar ness of US Treasury bonds, could fall on Monday. A 9.2 per cent give no belp to the equity marjump in US bousing starts in ket, with the 10 to 20-year gilts November was behind yester-

mid-morning rally that almost ment of £2.51bn came in around wiped out an early 20-point fall the middle of forecasts and had on the FTSE 100, with the index subsequently falling away and One of the features of the

made its presence felt in the lead out at 888.7m shares, well above ers did not spill over into the second line and smaller stocks, stocks accounted for 56 per cent

worryingly weak for the second 72 easier at 4,364.0 and the Smallconsecutive session, the long Cap finished a mere 0.3 off at activity in British Steel, where a

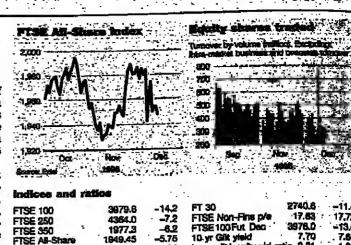
Gilts, burdened by the weakclosing around 11 to 17 ticks lower on the day. A November UK stocks failed to sustain a public sector borrowing require-

One of the features of the sesclosing a net 14.2 down at 3.979.6. sion was the upturn in activity: The selling pressure which turnover et the 6pm count came recent daily levels. Non-FTSE 100 The US bond market was also The FTSE 250 index settled only of overall business in the market. sooner rather than later.

Another feature was a burst of number of large blocks of shares were traded, apparently by the same marketmaker. Trading in Steel shares accounted for over 5 per cent of the market total. A share buy-back operation set

in train by Severn Trent and carried out by HSBC James Capel, the company's broker and UBS, lifted Severn shares, which figured prominently in the Footsle performance league.

Insurance stocks were again aggressively bought with dealers insisting that further bids or mergers in the broking and composite sectors will materialise



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Insurance		+1.7 +1.8 +0.8 +0.6	Worst performing Extractive inde	

Textiles stocks in tatters

By Peter John and

Misery in textiles accentuated by two profits warnings within the sector sent Courtaulds Textiles to its lowest level for more than six years.

The group has seen its shares decline from a high of 591p in early 1994. Yesterday, the slide continued with a fall of 10 to 221p, the worst performance of all the FTSE 350 stocks. Weakness was sparked by a statement from Sherwood, which spoke of disappointing sales and profit performance in garment and lace divisions, Courtaulds Textiles also has

significant exposure to lace. Analysts who already expected a post-exceptionals loss for the year - the first chemicals arm in 1990 were preparing to reduce estimates even further.

Additional pressure came from a second profits warning, this time from Coats Viyella. Coats expects second-half profits to be similar to the second half of 1995. Most analysts had anticipated a rise and consequently cut forecasts. Nat-West Securities reduced its post-exceptionals profit figure for the current year by

squeezed hy vice-like marunable to force up prices to NatWest Securities commented: "Until we can be certain that there are no more downgrades in the sys-tem, I think people will be very wary of the sector."

Sherwood was one of the higgest losers in the broad market with a slide of 17 to 41'Ap. However, Coats Viyella, which started trading at its lowest level for more than five and a half years, rallied 5 to 127p. Analysts focused on comments about further benefits arising from the 1996 restructur-

ing programme. Turnover in British Steel rose to a hefty 47m, making it hy far the day's most actively traded stock and its highest daily total for more

than four years, Several large trades, including several blocks of early in the session at the stock's opening price of 168p.

Market specialists pointed since the company was to one of the big UK-owned demerged from its larger marketmakers for the execution of the deals. The trading was said to have been carried out to fill in a short position which the broker has been running for some time.

The shares eased in afternoon trading and they closed 3 off at 165p.

British Gas dropped 51/2 to

2231/p as ABN Amro Hoare Govett, one of the company's brokers, cut its recommendation on the stock to "hold" from 'buy". It also lowered Its 1997 dividend forecast to

The sector has been 5p per share from 7p. The change of heart gins as companies have been reflected a more cautious retailers. Ms Joan D'Oller of Transco, the pipeline business, as well as the valuation of Centrica, the group's domestic supply and services business. Hoare values "new" BG at 165p a share

day's retreat.

and Centrica at 55p. Pharmaceuticals were lower on the back of falls in their ADRs in New York. Glavo Wellcome fell 9 to 929%p, Zeneca 21% to 1572%p and SmithKline Beecham

151/4 to 796p. Severn Trent put on 131/4 to 667%p after the company markets, the strong pound instructed HSBC James and high oil prices. However, Capel and UBS to buy back up to 18m of its shares. The brokers bought the stock at 675p a share.

Cairn Energy rose 15 to 390p, driven higher hy last hetween £600m and £630m. principle to sell gas to the

the offshore Sangu field. One analyst pointed to the discrepancy between the share price and a net asset value estimated at 430p per share. Mining group RTZ dipped

2914 to 9211/p despite a bounce in copper prices. The shares were weighed down by an overnight drop in CRA, its Australian arm, which fell to its lowest level since mid-October. ICI slid 6 to 767p after

ABN Amro Hoare Govett cut profit forecasts for the group to reflect weak European it retained its long-term positive stance. Hoare reduced its current year estimate to around £585m, below the bottom of the current range of

week'a news of a deal in For 1997, it stands at £790m. Commercial Union rose 13

	Dec 17	Dec 18	Dec 13	Dec 12	Dec 11	Yr ago	High	LOW
FT 30	2740. 0	2752.0	2738.3	2755.7	2751.7	2595.3	2885.2	2966.8
Ord. div. yield	4.20	4.15	4,17	4.14	4,14	-4.18	4.22	3.78
P/E ratio net	16.94	16.64	16.55	16.66	16.67	15.47	17.46	15.80
P/E ratio nil	16.76	16.48	18.39	16.50	18.52	15.28	17.30	15.71
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SEAO bargains	31,801	32,705	30,541	30,990	34,935	27,458
Equity turnover (Emit)	-	966.4	895.6	845.3	1387.9	1817.2
Equity bergeiner	-	18,685	15,627	15,963	17,801	30,331
Shares traded (mi)†	-	453.6	325.5	332.3	410.1	690.9
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UNION CAL Ltd.

the sector and the stock was further helped by a strong overseas buying. Others said there was talk of a merger between General

Accident and CU, in addition to long-standing rumours of a move by Germany's Allianz or BAT Industries. Gen-Acc lifted 21 to 716%p.

BSkyB rose for a second day as Monday's reports of plans to push ahead with digital TV, and positive regulatory news, brought out the buyers. The stock, which hit a five-month low of 4730 late last week, rose 29 to 518%p with 7.5m traded.

BSkyB passed an important regulatory milestone after the Office of Fair Trading accepted the company's terms for the supply of its channels to cable operators.

Separately, a newspaper report said BSkyB would press ahead soon with e decoder box for new channels plus pay-per-view sport and movies. Pearson, the media con-

glomerate which owns the Financial Times, fell 11% to 689%p ahead of the company's trading statement today. Standard & Poor's, the US rating agency, lowered its long-term credit rating from A+ to A. Dealers continued to focus

on the prospect of a restructuring of the Airbus Industrie consortium, in the wake of the proposed merger between US groups Boeing and McDonnell Douglas. Shares in British Aerospace, which holds a 20 per

sortium and also builds the wings of the European airliner, gained another 19 to 1155%p, in trade of 2.1m. Both Lehman Brothers and NatWest Securitles issued positive notes on the

cent stake in the Airbus con-

Bangladesh Oil, Gas and to 693p - near its closing clients to "add" to holding Mineral Corporation from peak - as hid speculation NatWest Securities said th continued to swirl around shares "are trading on a di count to the market in 19 and continue to have consi

> The prospect of a highe offer for building materia products group Newman Tonks, as it rejected £195.7m bid from engine ing group FKI, boosted th former but depressed the la ter. Newman shares jump 30% to 149%p, while those FKI eased 31/4 to 1961/sp.

Shares in contract caterin company Compass Gron surrendered 8 to 612p. active trading that brough volume of 12m, after French hotel group Accor placed 1. per cent of its 23.4 per cer

holding in the UK company

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-			Dec 13		Gross silv yield %	P/E tutio	52 v	nek Low
(Sold Mines Index (32) at Regional Indices	1841.30	+0.7	1226.50	1902.38	1.46		2520,73	1800.06
Mince (14)			2133.03				3553,85	
Angtralogies (C)			2070.27				2927,34	
Histili Asterica (12)	1725.02	+0.8	.1714.03	1685.70	0.75	86.26	2186.38	1648.45





	DOC 17 LX	296 Dec 16 Dec 13 Dec 12	ngo yiek	***	XVer	ratio	yed	Return
0 MINERAL EXTRACTION(28)	3777.16	-0.9 3809.70 3787.28 3780.68 3	169.16 3	.76	1.71	19.37	142.81	1655.62
2 Extractive Industries(8)	3933.52	-2.7 4043.08 3675.64 4008.66 4	187.41 4		2.66			1172.38
Oil, Integrated(3)	3912.01	-0.7 3937.87 3922.75 3903.06 3		94	1.55			1761.93
Oil Exploration S Prod(14)	2917.57	2916.80 2891,03 2990.12 2			1.73			1788.85
GEN NIDUSTRIALSOZISI	1949.00	-0.1 1951.50 1945.64 1958.27 1			1.64			1090.10
Suiting 5 Construction(34)	1166.69	+0.4 1164.85 1161.32 1172.64 1			1.56			997.68
2 Building Metts & Merchs(20)	1757.34	+0.1 1756.29 1745.51 1760.49 1			1.40			908.20
Chemicals (25)	2308.85	-0.3 2316.52 2320.86 2339.45 2			1.43			1120.62
Diversified Industrials(19)		-0.1 1434.18 1411.95 1418.63 1			1.54			828.51
Dectronic & Elect Ecuto(36)		-0.3 2215.10 2221.24 2222.01 2			1.34			1172.30
Engineering(71)		-0.1 2540.19 2586.42 2555.37 2			2.20			1570.49
Engineering, Vehicles(14)	3049.42	-0.4 3062.53 3067.71 3100.83 2			1,71			1609.56
Paper, Polog S Printing(25)		-0.2 2445.34 2449.94 2457.67 2			1.80			1030.25
Textiles & Apparel(19)		-0.1 1025.25 1033.80 1048.95 1			1.15			647.82
				_	_			
CONSUMER GOODS(82)		-0.8 3702.39 3703.29 3720.78 3			1.95			1386.93
Alcoholic Beverages(S)	2617.64	2617.88 2565.97 2601.85 Z			1.85			969.26
Food Producers(25)		+0.2 2610.02 2582.91 2605.06 2			1.77			1209.00
Household Goods(15)		+0.5 2507.92 2498.07 2512.30 2			2.23			1018.44
Health Care(18)		-0.3 1998.81 1995.57 1999.72 1			1.83			1230.53
Phermaceuticals(14)	5813.50	-1.3 5696.92 5699.81 5723.18 4	894.24 3		201	20.41	172.18	1939.71
Tobecco(2)		-1.8 4002.19 4092.58 4118.43 4		.80_	2.18	_8.89	<u> 262.07</u>	1011.63
SERVICES(252)	2570.13	2570,36 2552,94 2567.84 2			1.98	21.38	83.18	1361,95
Distributore(30)		-0.5 2870.20 2867.87 2878.35 2			2.01.	20.50	91.07	1073,98
Laleure & Hotels(25)		+0.1 3231.38 3212.28 3225.51 2		.79	1.99	22.54	173,45	1750.69
Media(44)		+0.8 4108.94 4061.17 4095.06 3			2.12	26.28	93.71	1513.47
Retailers, Food(14)		+0.2 2097,46 2064,24 2066,56 1			2.28	14.62	77.71	1367.78
Rotatiers, General(45)		-0.7 2052.85 2044.33 2058.87 1			2.04			1190.91
Broweries, Pube & Rest.(21)		+0.1 3219.55 3239.20 3251.49 2			2.10			1580.50
Support Services(50) Transport(23)		2713.80 2704.17 2722.06 1			2.23			1744.54
		-0.1 2618.92 2596.60 2604 .74 2		.38	1.29	27.63	93,45	1116.71
UTILITIES(33)	2476.24	-0.3 2484.81 2474.28 2466.08 2		46	1.70	13,46	185.51	1115.13
2 Electricity(12)		-0.1 2676.54 2663.70 2647.68 2		.53	2.15			1463,42
Ges Distribution(2)	1502.95	-2.3 1538.15 1550.95 1563.75 1	591.81 7.	97	0,54			822.37
3 Telecommunications(8)	2082.21	-0.5 2072.27 2056.94 2048.29 1	921,88 4	.05	1,54	20.08	58.10	961.50
3 Water(11)	2263.76	+1.3 2234.11 2230.90 2221.84 2	123.67 6.	57	2.30			1303.34
NON-FENANCIALS(865)	2029.14	-0.4 2036.28 2028.09 2035.27 1	850.30 3.	92	1.81		_	1579.00
FINANCIALS(104)	3364.61	3366.26 3340.71 3368.56 2	821 50 °2	96	2.36			1484.88
Banks, Retail(8)		-0.4 4840.11 4798.90 4850.02 4			2.70			1613.24
Banks, Marchant(5)		-0.7 3866.43 3869.68 3877,89 3			3.01			1238.26
Insurance(21)		+1.7 1575.47 1550.55 1551.00 1	387 27 5		2.29			1240.58
Life Assurance(7)		+0.3 3917.34 3903.95 3845.20 3	936 21 2		1.78			
Other Financial(20)		-0.2 2780.35 2751.92 2770.07 2			1.77			1670.29
Property(42)	1898.15	+0.2 1693.32 1691.17 1697.23 13	388 19 2		1.31			1606.66
INVESTMENT TRUSTS(126)		-0.9 3102.93 3096.72 3129.25 2		_	1.12			1071,82
FTSE All-Share(895)		-0.3 1955.20 1946,17 1955.25 17						1084.32
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SE Fledgling SE Fledgling ex IT	1203.59 1219.56	1219.71 1218.53 1221.76 1		91	0.71			1279.39

Hourly	точение	nts
	Open	8.00

FTSE 100 FTSE 250 FTSE 350	4387.1	4966.4	4367.3	4366.8	4367,7	3988.9 4387.7 1981.2	4365.2	4363.4	4364.8	4368.1	4362.7
Time of FTSE 100 De	y's high: 1	0:05 AM D	y's low: 2	16 PM FT	SE 100 19	96 High: 4	073L1 (21/1	0/96) Low:	3632.3 (16	V37/96 .	
■ FTSE 350	Indu	stry ba	skets								

10.00 11.00 12.00 13.00 14.00 15.00 16.10 High/day La

	Open	9.00	10.00	11.00	12.00	19,00	14.00	15.00	16.10	Close	Previous	Change
Bidg S Chstren	1135.2	1135.2	1138.9		1137.1		1138,9		1139.6	1139.6	1134.9	+4.7
Phermaceuticis	5582.9	5562.5	5573.8	5555,3	5556.4	5555.2	5548.6	5545.4	5543.2	5544 9	5617 1	-729
Water	2222.1	2225A	2255.3	2248.2	2245.2	2245.2	2243.1	2233 9	2249 8	2240.9	9918.0	+30.3
Banks, Retail For further inform	4881.3	4874.4	4881.8	4879.B	4882.5	4835.A	4573.1	4871,B	4880.9	4881.0	49019	-20.9
The FTSE Actuar International in co All Rights reserve Exchange and The Scence, † Sector	onjunction ed. "FT-St ne Financi	e and fi al Times	octale a	of Actual re trace used by	marks of FISE into	the Lond	ton Stock Junder	зина. С	FTSE In	ternation	el Limited	1996.
not shown. ‡ Val	uee are n	egative.							- /	D	E ₫	泥

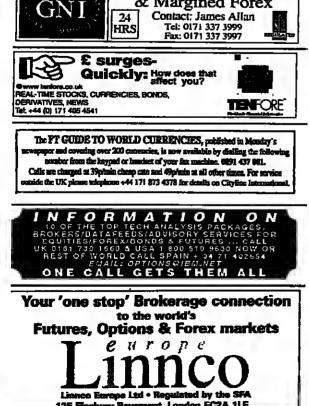
Avis est ici donné aux détenteurs de ocraficate de parts "A" (ex-coupon 15) et
"B" du dit Fonds Commun de Placement, qu'il sers procédé, à partir du 18
décembre 1996, sans frais à Luxembourg, à l'échange de la totalité des tires
en question contre de nouveaux certificats au porteur (coupons 16 à 25
strachés, en ce qui concerne les parts "A"). Les nouveaux tires serons
disponibles en coupares de 1, 10, 100, 1,000 et 10,000 parts, et l'échange acra
effectué ditre pour tiret, sans concordance de numéros. eut, il sera procédé, également sans frais, à l'échange des Les détenteurs du tels certificats, au porteur ou nominarifs, aout invités à prendre couract avec le service "Titres" de SOCIETE GENERALE BANK & TRUST S.A., à Luxembourg (11-13, Avenue Emile Rester - L - 2420 Luxembourg; phone : 47 93 11-439; fax : 47 18 13), soit directement, soit par le canni d'un gnichet de le SOCIETE GENERALE BANK & TRUST, de la SOCIETE GENERALE BANK & TRUST, de la SOCIETE GENERALE ALSACIENNE DE BANQUE ou de la SOCIETE GENERALE. Il acra procédé automatiquement à l'échange des titres déposés à Luxembourg dans les caisses de la SOCIETE GENERALE BANK & TRUST, Banque A partir du 20 janvier 1997, aculs les nouveaux certificats serout de l livraison en Bourse de Luxezabourg. WORLD BOND TRUST MANAGEMENT COMPANY 5.A. LUXEMBOURG SOCIETE GENERALE SANK & TRUST S.A. LUXEMBOURG

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ECHANGE DES CERTIFICATS DE PARTS "A" ET "B" AU PORTEUR ET AU NOMINATIF



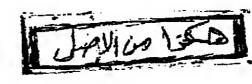




Weekly Petroleum Argus

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Samuel Spines	FINANCIAL TIMES WEDNESDAY DECEMBER 18 1996 *
	Highs & Lows shown on a 52 week basis WORLD STOCK MARKETS -/- No. Low Ye No/- No/- No. Low Ye No/- No/- No. Low Ye No/- No
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ei Gen HTT	TORYO - MOST ACTIVE STOCKS: Tuesday, December 17, 1886 2218.0 2195.5 - 32.0 227.0 2193.0 19.874 23.914 Dec 1790.25 1777.00 -28.00 1813.00 1777.00 19.065 16.392 # Milder 22.5 2218.0 2195.5 - 32.0 227.0 2193.0 19.874 23.914 Dec 1790.25 1777.00 -28.00 1813.00 1777.00 19.065 16.392 # Milder 22.5 3218.0 2195.5 - 32.0 2270.0 -32.0 2270.0 2198.0 1,853 7,475 Jan 1795.75 1784.75 -27.75 1802.00 1784.75 4,375 15.365 May 2050.0 2040.0 28.00 2040.0 28.00 2040.0 28.00 2040.0 28.00 2040.0 204
	## 20340.0 20480.0 20350.0 143 24,575 Tracket Prices on day Tracket Prices
	Story - SOC Austria Traded, SEC.20, MEX Gen., MEX Gen., RMLSD, SECRETA, CAPORT, CAPORT
FTSE	

YORK STOCK EXCHANGE PRICES 4 pm class December 17

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Law Shark

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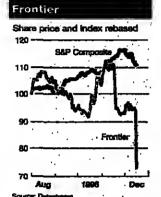
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Dow eases as bonds fall sharply

lower at midsession as some technology shares bounced back from Monday's sharp sell-off and investors awaited Reserve's Open Market Com-Bransten in New York.

At 1 pm. the Dow Jones Industrial Average was 3.47 lower at 6,264.88 and the more broadly traded Standard & Poor's 500 gave up 0.22 at 720.76. NYSE volume was 280m shares.

Almost no one on Wall



Street expected the Fed to alter interest rate policy yesterday, but strong figures on or 3 per cent to \$28%. new home construction sent bonds sharply lower in early trade. Naar midday, the yield on the benchmark 30year Treasury was at 6.674 per cent, its highest level since November 1.

The Nasdaq composite, which is weighted toward technology shares, initially moved about 4 points higher before returning all of those gains and falling into negative territory.

By early afternoon, the Nasdaq was 4.02 lower at 1,256.96 as larger companies held on to early gains. Intel, the largest company on the Nasdaq, was \$1% stronger at C\$33.10.

\$128% and Microsoft, the index's second largest issue. US shares were modestly added \$1% at \$78%.

news from the Federal day by Micron Technology. mittee meeting writes Lisa reported earnings that were period last year, but net

> company. In morning trade Micron added as much as \$1%, but by early afternoon it was \$% lower at \$32%.

> fifth largest long distance telephone company in the US. slid \$5% or 21 per cent to \$20% after warning that fourth quarter profits would be as much as 16 per cent below last year's levels, due largely to lower-than-expec-

other smaller telecoms groups lower. LCI Internaat \$251/4 and Teleport Communications Group fell by \$1

rowly through a morning session marked by low levels of turnover. At noon, the 300 composite index was off 14.37 at 5,698.00 with declines leading advances by four-to-

sub-groups were in negative territory at midsession with industrial products stocks, off almost 1 per cent, leading the way down. Nswbridga Networks was C\$1.05 lower at C\$40.45. Among leading stocks, Alcan Aluminium shed 45 cents to C\$45.05 and Canadian Pacific 30 cents to

Mexico City advances

MEXICO CITY recovered of a subdued morning's trad-3.187.30.

At the outset there were clear worries about interest higher at 600.74 by noon. rates with rumours running Analysts noted, however, the of between 50 and 100 basis many market participants points for primary Cetes

However, sentiment rallied as the morning wore on. "Towards midday there were said one trader.

The market fell heavily at the outset as the December tracts expired. Investor sentlment stayed depressed

index was off 98.5 at 6,384.0 R108.75. Among golds, Vaal

posted in 1996. CARACAS started badly

R132.50 and South African

Early gains in technology shares were attributed in

part to the earnings announcement late on Mon-The semiconductor company about 94 per cent below those made in the sama income of 10 cents a share was about 6 cents ahead of the mean estimates from

Elsewhere, Frontier, the

ted long-distance revenues. That news sent several tional shed \$3 or 11 per cent

TORONTO traded nar-

from initial losses to notch at midsession as investors up modest gains at the end trod water in cautious trading. At midsession, the IPC the meeting of the US Fedindex was 12.21 ahead at eral Reserve's policy-making arm.

The Merval index was 0.54 to Won11,000. wary of risking losing any of the gains that they had

and by midsession the IBC signs of bargain-hunting", index was trailing by 95.51 or 1.5 per cent at 6.155.32.

S Africa hit by futures selling

throughout the session.

following a drop of 113.6 to Reefs fell R4 to R311.

"Mnch of the downside

Breweries ended down R3 at

against the trend as speculation ranged from the possithe bank or a strategic acquisition by Commerz-

EUROPE

bank itself.

explained the rise.

for Dax contracts

lower at DM202.50.

dicated 2,808.50.

Street and positioning them-

selves ahead of Friday'a

options and futures expiry

Deutsche Bank closed off

DM1.22 at DM71.19 and

Dresdner Bank ended down

33 pfz at DM48.83. Volkswa-

gen lost DM3.70 to DM608.30.

Thyssen shed DM3 to DM270.

Rumours of management

changes left SAP DM6.90

At the close, the Dax index

was 32.66 lower at an Ibis-in-

PARIS had a volatile ses-

A revival of takeover talk at

Commerzbank lifted

FRANKFURT comfortably

off its worst levels of the

Number three in the Ger-

man banking league, Com-

merzbank pushed ahead

analysts. That outperformance was clouded by reports that an analyst at Merrill Lynch had lowered his rating on the

sion, recovering strongly from early losses on the news of official rate cuts but

All but four of the index

BUENOS AIRES was flat ing ahead of the outcome of

returned from their three- cent to 1,477.7.

stemmed from the futures market. There was all sorts futures and options con- of confusion at the 10am expiry," said one broker. De Beers came off R1.75 to

Traders in Johannesburg 7,568.9 for the industrial ran into a wave of deriva- index. Golds also had a bad tives-driven selling as they day, sliding 33.9 or 2.2 per

around the market of a hike low volume of trade, with set by fresh buying and short-covering in recently hard hit sectors such as con-

cies report. The Nikkei 225 average 20,413.46, after a high of 20,500.90 and a low of

20,230.88. Its March futures fell 10 to 20,410. Topix indax rose 3.44 to

1,515.42, prompting the view that most weak sectors had now bottomed out. The Nikkei 300 average gained 0.76 rose 18.21 to 20.692.57. Volume on the first sec-

with 266m shares on Monday. Declining issues outnumbered advancers 628 to 430, while 200 issues were unchanged. In London, the

Takeover talk lifts Frankfurt from trough

FTSE Ac	tuarie	es Sir	are l	ndic	es				
Dec 17 Hourly changes	Орея	19.30	11.00	12.00	TH)	E EURC 14.00	PEAN :	SERIES Close	
FTSE Eurotrack 100 FTSE Eurotrack 200	1849.72 1897.05	1849.60 1898.82	1849.21 1898.62	1848.88 1897.95	1848.06 1899.79	1846.73 1895.94	1845.40 1895.58	1847.56 1898.43	
		Dec 16	Dec	13	Dec 12	Dec 11 Dec 10			

1855.60 1854.05 1900.22 1896.69 1915.69 1915.69 1915.60 1916.69 1915.60 1916.69 1916.69 1916.60 1916.6 Base value 1000 (28/10/90); High O FISE international Lighters 100

FF176.

bility of an outright bid for 40 index off 28.87 or 1.3 per hopes, came off FFr1.30 to cent at 2.193.70.

Dealers said that turnover was dull with investors from a dull bond market and It was an old story but it brushed up fresh enough to and many holding off tha lift the shares by 34 pfg to market as the Bank of DM38.44. Some dealers said that a single big buy order tary policy targets.

Otherwise tradars spant mat with a mixed reaction, the session tracking Wall as Axa hardened slightly but most financials lost ground. Axa added FFr2.60 to FFr304.8. Bancaire came off FFr13 to FFr566 and Suez shed FFr3.50 to FFr211. Paribas ended down FFr5.10 at FFr339. LVMH dipped FFr25 to FFr1,243 in spite of a Japanesa decision to reduce whisky sales taxes. Dealers

The interest rate moves

group's DFS purchase held sentiment in check. Among second liners. Groupa Andre, the shoe est decline tumbling F11.70 retailer, added FFr1.60 to or 4.6 per cent to F135.30. financial restructuring plan.

Usinor-Sacilor, something

of a high flyer lately on the

South Korea

Seoul Composite

Losing sectors were led by

insurance, rubber, miscella-

neous manufacturing, land

transport and gas. Gainers

were led by reilway/bus,

banks, oil, construction and

Shares in Japan's non-life

insurers lost out for a second

loser was Tokio Marine,

down Y50 at 1.070, while Mit

sui Marine fell Y26 to Y608

and Yasuda Fire lost Y23 at

Renewed foreign demand

supported the banks. Daiwa

while Sumitomo Bank and

Dai-Ichi Kangyo Bank each

of Y473,000 before turning

In Osaka, the OSE average

Beijing's crackdown on the

The A index plummeted

41.69 to 375.51 and the B

SHENZHEN'S A and B

warehousing.

said that worries about the

uncertain about direction moved lower in subdued volume. Tha AEX indax unwound most of Monday's

AMSTERDAM took its cue

France spelt out its mone- gains, ending off 3.18 at 612.94 Fortis Amev, the previous day's best performer, turned tail with a decline of Fl 1.20

> F156.80 . ABN-Amro dipped Fl L60 to Fl 106.3. Forecasts of an oil price drop to \$16 a barrel next year from Royal Dutch sent the shares down by 10 cents

or more than 2 per cent to

to F1 288.40. News of fare hikes at both the airline and its cargo offshoot depressed KLM by 10 cents to F1 47.10. Philips came off 10 cents to F168. KNP BT was the day's sharp-

Sandoz in the spotlight as the companies called a news conference about their finally ending with the CAC back of CAC 40 inclusion planned merger to become

Novartis. However, the pair turned back from their best levels after they confirmed that the US Federal Trade Commission had conditionally approved the merger. The two companiesinsisted that the conditions left their innovative notential intact

at SFr1,625, off a high of SFr1,649, while Sandoz turned back from SFr1,540 to finish SFr4 weaker at SFr1.525. The new Novartis shares are to begin trading on December 23.

SFr2,760 when trading resumed after a suspension. due to the insurer's announcement that it planned a share split and a capital payout, rather than a dividend, on 1996 results.

Swissair added to Monday'a SFr38 jump, with another rise of SFr14, taking the shares to SFr1,069 on expectations that tomorrow's press conference would bring news of a plan to separate some of the company's profitable catering

the truck maker, after its announcement, late on Mon-SKr5 down at SKr190.

Hongkong Telecom slipped

30 cents to HK\$12.90 and

China Light lost 50 cents to

HK\$83.50, while Hongkong

Electric added 5 cents to

Ciba finished SFr2 weaker

The broad market edged lower, with many investors sidelined ahead of the FOMC meeting. The SMI index lost 19.8 to 3,850.4.

Baloise fell SFr115 to

operations from its airline operations

STOCKHOLM featured a

Scania A share price and index rebased

day, that its production in ths first quarter of 1997 would be cut. The shares

lost SKr6 to SKr162. Scania said that it would cut production by about 15 per cent in Europe to belance delivery delays caused by the French trucksrs' strike in November. The company added that the dispute hit sales and earnings which could have an adverse impact on results in the current quarter.

Stadshypotek eased SKrt.5 to SKr186.5 after the board decided to recommend to shareholders the acceptance 3.6 per cent fall in Scania, of Svenska Handelsbanken's bid: Handelsbanken was

index was down 25.4 at

per cent, wiping out Monday's 2.4 per cent fall which followed Standard & Poor's downgrading of the country's long-term foreign currency rating.

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The IMBK-100 indsx picked up 3,239.00 to close at a day's high of 90,395.96 on selective buying fuelied by a limited cash influx. One analyst said that the recovery came as investors realised that the S&P action did not affect other instruments and that Monday's early 5.5 per cent plunge had been an overreaction.

OSLO fell 1.4 per cent, unnerved by the overnight-fall on Wall Street and yesterday's US economic data. The total index finished 18.17 down at 920.03.

Analysts noted, however, that the market was likely to see a cash inflow in coming weeks under regulations which give investors tax breaks if they invest in the atock market around new

BRUSSELS careful of with a big null of Bekser of what unsettling ent quarter. The Affirsväriden general Bekaert lost BFrs,075 to BFr19,825 following a profits warning. The BFX index closed 111.16 lower at 1.849.03.

Morgan and Jeffrey Brown

Further selling leaves Seoul near 45 month low

ASIA PACIFIC

Further nervous selling took SEOUL down for a fifth consecutive session and left the composite index 10.57 weaker at 663.35, at its lowest lavel for almost 45 months.

Analysts who warned that the index could fall as low as 620 points before a floor was found, said that the uncertain economic outlook, high interest rates and a floundering currency had made the stock market an unattractive proposition for many investors, especially foreigners. They added that investors were particularly uninspired by the government's recent

market boosting measures. Some buying emerged in late trading for banks and securities shares on the view that they had been oversold. Commercial Bank of Korea

rose Won180 to Won5,180

and Kookmin Bank gained consecutive day. The biggest Won200 to Won11,300. Dae-700 Securities rose TOKYO finished flat after early losses were mostly off-

Bank jumped Y25 to Y637 struction and banking, agenrose Y50 to Y1,840 Y50 and finished 8.58 lower at Y1,770 respectively. In the new, second section of the over-the-counter mar-

ket, ATL Systems made a solid debut. The shares, with Conversaly, the broadsr a subscription price of Y280,000, climbed to a high back to close at Y424,000.

shares, targeted respectively at domestic and foreign tion of the TSE was a moderate 341m shares, compared investors, continued to plunge, closing near their limit-down levels of 10 per cent in further response to stock markets. ISE/Nikkei 50 index fell 2.00 to 1444.97.

index dived 12.79 to 121.64. SHANGHAI'S A shares were also under pressure. losing 100.964 or 9.6 per cent to 946.716, but the B index found some relief after its recent falls, losing 1.431 or 2.4 per cent at 58.498. HONG KONG was weak with yesterday's US Federal

viding an excusa to take The Hang Seng index fell 122.11 to 12,815.37 after bouncing off a low of 12,747.91. Turnover declined hut remained healthy at HK\$5.7bn, down from Mon-

day's HK\$6.5bn. Properties came in for selling in the morning, but utilities were the worst perfor- spots. Centennial City, hit Brierley Investments. Fair-

HK325.75.
TAIPEI ended lower after late selling in thin volume. The weighted index gave up Open Market Committee proearly to close off 35.85 at First International Computer stayed on the upside,

mersover the day.

adding T\$1 or 1.94 per cent to T\$52.5 after raising its profit target for this year by around 30 per cent. MANILA finished lower with the main index slipping

22.37 to 3.093.21. Bargain. hunting created two bright

lately by the Manila Bay rec- fax dipped 1 cent to A\$2.77. lamation controversy. bounced 50 centavos or 18 per cent to 3.10 pesos. Philipino Telephone gained 1.25 pesos or almost 5 per cent to 24 pesos.

BANGKOK eased lower as investors put a negative interpretation on the latest economic plan. The SET index slipped 5.53 to 867.23 on weak volume. SYDNEY moved lower in

line with the overnight decline on Wall Street. The All Ordinaries index cama off 20.5 to 2,315.8. Media stocks provided the

main focus on the news that

Hollinger is to sell its 25 per

cent holding in Fairfax to

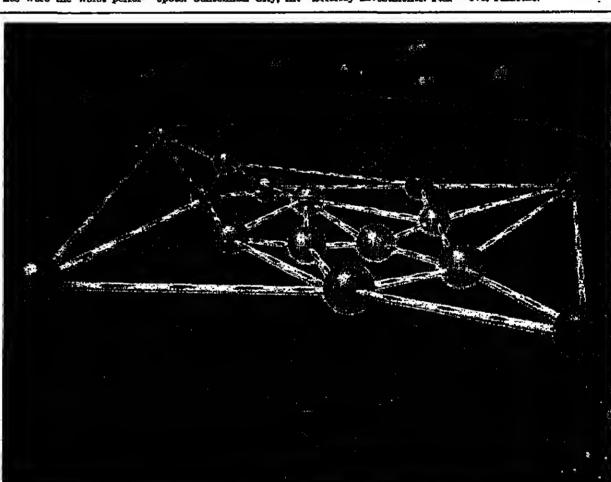
Its warning that it expected its property earnings to fall by half in the current year. The shares lost 40 cents to. S\$14.10, at which level, attalysts said, F&N should find

SINGAPORE featured a 28

per cant drop in Fraser & Neave in further response to

soms support. The broad market was easier with the Straits Times Industrial index losing 6.74 at 2.176.52

Strong demand was, however, seen for Singapore Land which rose 85 cents to S\$8.20. Jurong Cement was another gainer, rising 5 cents to S\$6.25 on old takeover rumours.



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FT/S&P ACTUARIES WORLD INDICES

Bedylum 2777 221.93	of stock Index	%	Index	Index	index	Index	on day	Yield	Inches	Index	Index	Index	Index	High	Low	(approx)
Belgium (27)			169.69	153.48					211.11	188.76	151,90	169.74	176.89	224.61	187,53	190.61
Proxist (28)																
Cannack (115) 183.29 -0.3 163.50 132.13 148.02 151.28 0.1 2.00 183.76 164.51 132.22 147.76 191.10 198.24 144.35 148.25 159.00 199.00 137.81 1.0 301.17 243.39 272.85 272.87 1.5 1.89 334.25 298.67 240.51 268.76 289.87 240																
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Italy (56)																·
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Singapore (43)														286.15	222.24	227,A7
South Africa (44)	Philippines (22)													-	_	-
Spain (37) 202.45 1.8 180.60 145.95 163.50 200.42 2.2 2.99 198.92 177.96 143.13 159.94 196.11 202.45 169.86 180.60 Sweden (48)	Singapore (43)415.53	1.8	370.68	299.57					409.00	365.71					371.28	399.32
Sweden (49) 407.80 0.9 363.76 293.99 329.33 412.27 1.2 2.07 404.19 361.41 290.63 324.99 407.45 419.67 294.19 303.76 Switzerland (47) 237.24 -0.1 211.63 171.03 191.69 195.17 0.8 1.52 237.38 212.25 170.80 190.85 190.85 193.85 254.34 219.29 232.17 United Kingdom (213) 266.87 0.8 238.07 192.30 215.62 238.07 0.5 3.99 264.67 236.83 190.58 271.93 222.43 222.43 225.61 193.85 177.19 86.26 108.45 193.95 107.28 164.27 236.83 190.58 212.97 236.85 271.93 222.43 225.61 108.65 212.97 236.83 273.83 222.43 225.61 238.07 107.28 236.59 265.20 213.41 238.48 298.59 307.82 2243.34 250.4 250.69 250.29	South Africa (44)307.23	0.4	274.07	221.49										437.76		
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Thelland (45)		0.9	363.76													
The Brand (45)	Switzerland (37)237.24	-0.1	211.63	171.03	191,69		0.8	1.52	237.38	212.25			193.65	254.34	219.29	232.04
United Kingdom (213)		8.0	98.51	77,99	87.37	107.53	1.0	3.19	107 <i>-</i> 28	95.82	77.19	86.26	108.45	193,85	107.28	164.96
USA (823)		0.8	238,07	192.39	215.52	238.07	0.5	3.99	264.67	236.83	190.58	212.97	236.83	273.93	222.43	225.61
Americas (793)		-1.1	261.76	211,54	238.97	293.43	-1.1	2.05	296.59	265.20	213.41	238.48	206.59	307.82	243.34	250.88
Europe (720)		10	290.28	103.39	218.62	225.68	-1.0	2.03	271.00	242.31	194.99	217.90	227.97	281,50	222.53	228.52
Nordic (137)						198.33	1.0	2.92	227.46	203.30	163.67	182.80	196.33	234,56	194.31	197.15
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